Business and Financial Plan

For the Year Ended March 31, 2007

As Presented to the
Standing Committee on Public Accounts

November 2005

Office of the Provincial Auditor

106-02111/

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Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

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November 29, 2005

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *Business and Financial Plan for the Year Ended March 31, 2007*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

Our Business and Financial Plan

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Table of Contents

Glossary 4

2006-2007 Funding Request 5
Funding request 5
Independent assurance on our funding request 7

Introduction 8

Context 10
Independence 10
Who we serve 10
What we do 10
Our organization 14
Risk management 16

What We Plan To Do 19
Our goals and objectives 19
Our guiding principles 20
Factors affecting our work plan 20
Forces and trends affecting our work plan 21
Our focus 22
Indicators of Success 23
Historical comparison of the costs of our work plans 25
Impact of alternative funding levels 25

Supporting Reports and Schedules 27
Audited Financial Forecast 28
Schedule of Actual and Planned Costs to Audit Government Agencies 35
Government Agencies Created in 2005-2006 42
Government Agencies Wound Up in 2005-2006 43
Forecast and Actual Full Time Equivalent Positions and Average Salaries 44
Schedule of Actual and Planned Time Employees Spend on Tasks 45
Training Schedule 47
Summary of Our 2005 – 2009 Strategic Plan 49

Other Information 67
Spending Trends 69
Out-of-Province Travel 72
Senior Management Salaries 73
Total Costs to Audit Government Agencies 74

Appendix I – Provincial Auditor's Estimates 75

Glossary

Estimate – Future-oriented financial information prepared using actual results where available and assumptions all of which reflect the entity's planned course of action for the period covered given management's judgement as to the most probable set of economic conditions.

Forecast – Future-oriented financial information prepared using assumptions that reflect the entity's planned courses of action for the period given management's judgement as to the most probable set of economic conditions (CICA Handbook).

Projection – Future-oriented financial information prepared using assumptions that reflect the entity's planned courses of action for the period given management's judgement as to the most probable set of economic conditions, together with one or more hypotheses that are assumptions which are consistent with the purpose of the information but are not necessarily the most probable in management's judgement (CICA Handbook).

2006-2007 Funding Request

Funding request

Our Office asks the Standing Committee on Public Accounts to recommend to the Legislative Assembly an appropriation for the operation of the Office of $5.695 million for 2006-07 and a contingency appropriation of $359 thousand. These appropriations will enable our Office to fulfill the statutory duties under *The Provincial Auditor Act*.

As required by *The Provincial Auditor Act*, we present our estimates, supported by our business and financial plan, to the Standing Committee on Public Accounts. In Appendix I, we set out the estimates of expenditures for 2006-07 in the format the Legislative Assembly expects. These estimates include an amount for unforeseen expenditures as expected by the Act.

Appropriation

Our funding request is an increase of $119,000 (2.1%) over our 2006 funding request. A number of factors affect costs for our Office. For 2007, the key factors are the number of government agencies and the employment market for auditors.

The Provincial Auditor Act requires us to audit all government agencies. Each year, our business and financial plan includes the estimated impact on audit costs of the creation or windup of agencies. In 2006, the Government created several new agencies. The estimated net increase on audit costs is $100,000 (see pages 42 to 43 for details).

The job market for professional auditors and auditors training to become professionals continues to be strong. Anticipated changes by securities regulators and changes to professional standards is increasing demand for professional accountants and auditors.

To maintain our ability to recruit and retain employees, our Office must offer reasonable salaries and benefits based on market conditions within both the public and private sectors. In 2006, salaries to recruit employees at our two universities increased 13%. This affects our salary structure and increases our salary and benefit costs by $106,000. For July 2006, we have also included a 1% general salary increase. This will increase our salary and benefit costs by $43,000.

The extra work and increased salary and benefit costs increase our costs $249,000. We plan to absorb $130,000 of these costs by continuing to find better ways to do our work. This process of constant improvement keeps our costs reasonable.

For example, our business and financial plans for the years 2004 to 2007 show increased costs to our Office caused by new agencies the Government created in each of those years. Those plans show that we would require approximately two more employees than we had in 2003 just to audit the new agencies.

For 2007, we plan to maintain our workforce at 57 positions. For the last ten years, our Office has gradually reduced its planned workforce from 62 to 57 employees.

We explain the many other factors that affect our funding request in this business and financial plan.

Contingency appropriation

The Legislature amended *The Provincial Auditor Act* in June 2001. The amended Act changes how we finance our operations. Previously, we maintained net financial assets equal to approximately one month's salary and benefit expenses. We used this money to finance short-term revenue shortfalls caused by responding to unplanned work, pressure to improve the timeliness of our work, and unplanned salary and benefit increases. This practice enhanced our independence by providing the resources necessary to manage effectively unforeseen circumstances.

The amended Act requires the Provincial Auditor to return all unspent money at the end of the year to the General Revenue Fund. This practice is known as "lapsing appropriations". To enable the Provincial Auditor to retain the independence to manage effectively, the Standing Committee on Public Accounts recommended that the amended Act provide for the Provincial Auditor to obtain an extra appropriation each year. The amended Act provides for a contingency appropriation for unforeseen expenses.

Our funding request includes a contingency appropriation of $359,000. This contingency appropriation approximates our previous net financial asset target of one month's salary and benefits.

Independent assurance on our funding request

When the Board of Internal Economy considered our 1999 Business and Financial Plan, the Board asked us to suggest ways the Board could obtain independent advice to help it assess our future requests for resources. We suggested that the auditor Cabinet hired to audit our Office should provide assurance to the Board that our funding request (financial forecast) is reasonable to carry out our operating plan (i.e., our goals and objectives).

For the eighth year, we include our audited financial forecast. The auditor's report is on page 29. The auditor reports that our financial forecast is consistent with and reasonable in relation to our operating plan.

We also include our financial forecast prepared on the expense basis of accounting. This financial forecast will enable a comparison to our actual financial results when we publish our annual report on operations. Our annual report on operations began using the expense basis of accounting for the year ended March 31, 2000.

Introduction

The Legislative Assembly sets out the accountability process for our Office in *The Provincial Auditor Act*. This process requires the Provincial Auditor to submit two key reports to the Assembly: an annual business and financial plan and an annual report on operations.

The report on operations must include a summary of the Office's operations and audited financial statements for the preceding year. The Legislative Assembly received our *Annual Report on Operations For the Year Ended March 31, 2005* on June 10, 2005. The Report contains information to help Members assess our effectiveness. We describe our performance in achieving our goals and objectives. We compare what we told the Assembly we planned to do in our 2005 Business and Financial Plan with what we actually did.

The accountability process also requires the Provincial Auditor to submit a business and financial plan to the Assembly each year. The business and financial plan must include the Office's planned operations and its planned revenues and expenses for the year.

Our 2007 Business and Financial Plan includes our goals and objectives, strategies and action plans, and our indicators of success. It also includes our audited financial forecast and a schedule of planned and actual costs to audit government agencies. Because salaries and benefits account for nearly 80% of our spending, we include a schedule showing our actual and planned use of employees' time for five years.

As required by law, we present our business and financial plan directly to the Assembly. This way, Members of the Legislative Assembly can review our plans before we appear at the Standing Committee on Public Accounts. This process allows Members the opportunity to advise the Committee on the relevance of our planned work.

We prepare our business and financial plans using sound reporting principles. We based the principles on the public reporting principles developed by the CCAF-FCVI Inc. and set out in its publication called *Reporting Principles – Taking Public Performance Reporting to a New Level*. CCAF is a public-private partnership that "is a source of support, leading edge research and capacity for members of governing bodies, executive management, auditors, and assurance providers."

The CCAF's publication is the result of a multi-year project on public performance reporting, which involved extensive research and consultation with government managers, auditors, and legislators throughout Canada. Exhibit 1 provides an outline of these principles.

Exhibit 1—Reporting principles for effective planning information

1. **Focus on the few critical aspects of performance**
   - focus selectively and meaningfully on a small number of things
   - centre on core objectives and commitments
2. **Look forward as well as back**
   - set out the goals and how activities contribute to the goals
   - track achievements against expectations
3. **Explain key risk considerations**
   - identify the key risks
   - explain the influence of risk on choices and directions and relate achievements to levels of risk accepted
4. **Explain key capacity considerations**
   - discuss capacity factors that affect the ability to meet expectations
   - describe plans to align expectations and capacity
5. **Explain other factors critical to performance**
   - explain general factors such as changes in the economic, social, or demographic environment that affect results
   - discuss specific factors such as standards of conduct, ethics, and values; or performance of other organizations that influence performance
   - describe unintended impacts of activities
6. **Integrate financial and non-financial information**
   - explain the link between activities and desired results
   - show spending on key strategies and explain how changes in spending affect results
7. **Provide comparative information**
   - provide comparative information about past performance and about the performance of similar organizations when relevant, reliable and consistent information is reasonably available
8. **Present credible information fairly interpreted**
   - present information as credible as reasonably possible
   - explain management's involvement, judgement, and basis for interpretation of performance
   - information is consistent, fair, relevant, reliable, and understandable
9. **Disclose the basis for reporting**
   - explain the basis for selecting the few critical aspects of performance on which to focus
   - describe changes in the way performance is measured or presented
   - set out the basis on which those responsible for the report hold confidence in the reliability of the information being reported

Context

Independence

The Provincial Auditor Act creates an independent Officer of the Legislative Assembly called the Provincial Auditor. The Act gives the Provincial Auditor the responsibility to audit all government agencies and report the results of the audits to the Legislative Assembly.

The Act ensures that the Provincial Auditor is independent from elected and appointed officials including the Assembly's committees and boards. The Standing Committee on Public Accounts, an all-party committee that does not include cabinet ministers, unanimously recommends the Provincial Auditor for appointment by the Legislative Assembly for a 10-year term. The Act sets the Provincial Auditor's salary and benefits. A resolution of the Legislative Assembly is required to remove the Provincial Auditor from office. The Standing Committee on Public Accounts recommends the amount of resources for the Provincial Auditor's Office. The Provincial Auditor decides which employees to hire, what audit work needs to be done, and how the work is carried out. Also, the Office's policies require all employees to confirm annually whether they have any relationships with the Government that could be perceived to affect their independence and objectivity.

Who we serve

The Office of the Provincial Auditor helps the Legislative Assembly hold the Government accountable for how it manages public resources. Our Office examines the Government's management of public resources and reports its findings to the Assembly.

What we do

Our vision

We envision effective, open, and accountable government.

Our mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

Our mission shapes what we do and how we respond to key economic, political, social, and technological forces affecting those we serve.

How we carry out our mission

To fulfill our mission, we provide independent assurance (audit reports) and advice on the Government's management of and accountability practices for the public resources entrusted to it. We support and adhere to the accounting and assurance standards recommended by The Canadian Institute of Chartered Accountants. In particular, we provide the following services:

- We advise the Legislative Assembly on:
  - the reliability of the Government's public performance reports
  - the Government's compliance with legislative authorities
  - the adequacy of the Government's management of public resources.
- We encourage discussion and debate about public sector management and accountability issues.
- We assist the Standing Committees on Public Accounts and Crown and Central Agencies.
- We develop professionals for public service.

Our reports

We report our assurance and advice to the Assembly and the Government. At the end of each audit, we report our assurance and advice to government officials. We provide assurance by way of reports on financial statements, compliance with authorities, and the adequacy of management systems and practices. We provide advice and assurance by way of letters to management setting out our conclusions, findings, and recommendations for improvement.

We also provide assurance and advice to the Legislative Assembly and the public in our annual reports to the Assembly. These reports summarize our work at government agencies. They provide assurance and advice on the whole Government, sectors of the Government, and on each government agency's financial statements, the agency's compliance with authorities, and the adequacy of the agency's management systems and practices.

We decide what matters to report in the context of the following questions:

- Does the matter affect the Assembly's ability to control the financial activities of the Government?
- Does the matter affect the Assembly's ability to hold the Government accountable for how it administers public money?
- Does the matter involve improving how the Government administers public money?
- Does the matter involve non-compliance with legislative authorities?

When an agency's financial statements, compliance with authorities, and processes to safeguard public resources are satisfactory, we also report that information to the Government and to the Legislative Assembly.

Our key outputs and expected outcomes

Exhibit 2 shows the outputs and expected outcomes of our work. We have three primary outputs. These are assurance (audit reports), advice (recommendations), and trained professionals for public service.

As shown in Exhibit 2, our assurance and advice result in two final outcomes. These outcomes are improved public confidence in government and improved performance in the delivery of government programs.

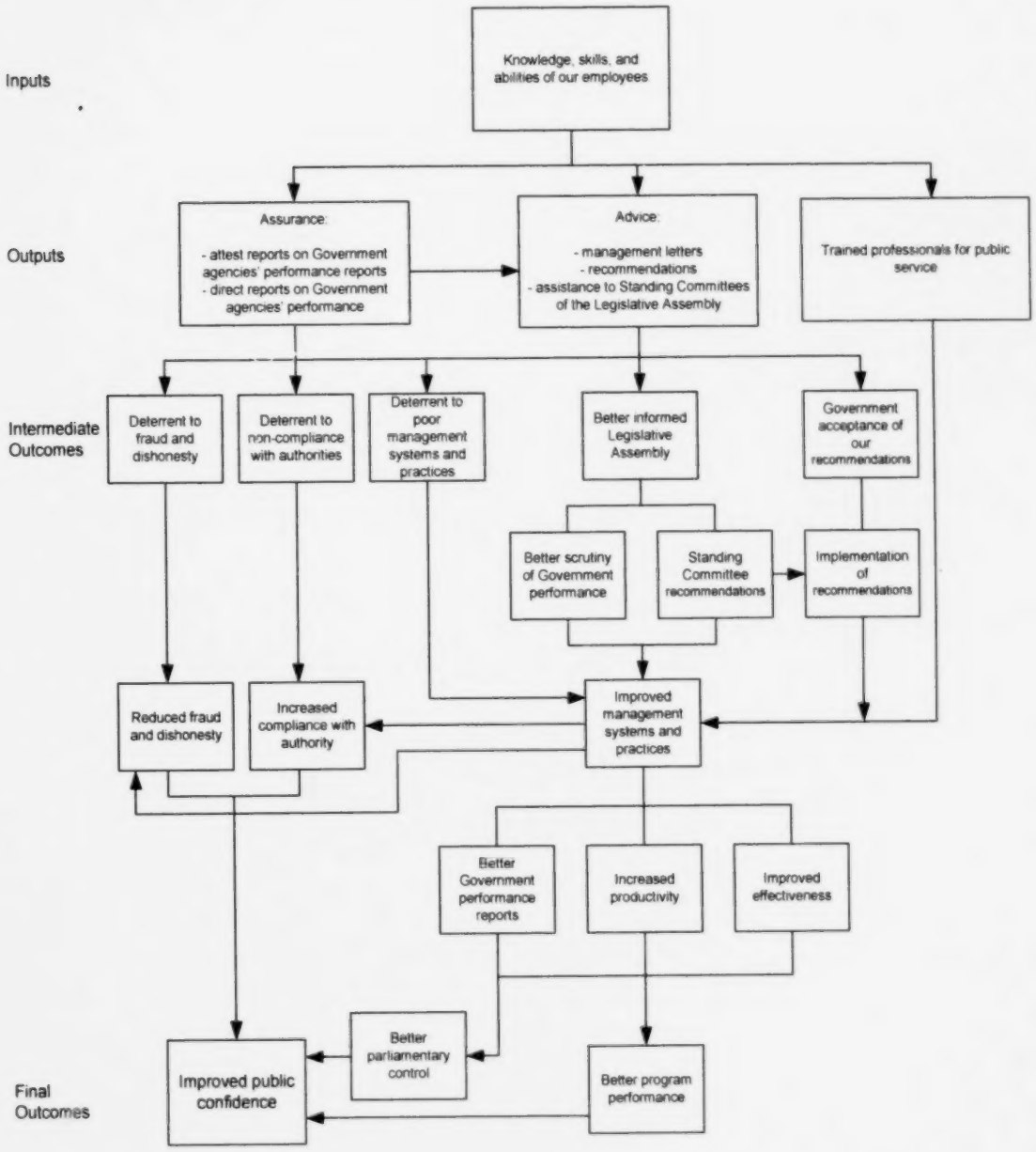
For our parliamentary system of government to work properly, the system must enjoy public confidence. To merit this confidence, government programs must be effective and the Government must be open and accountable.

Our work and reports directly affect public confidence in the Government. They provide the public with confidence that the Government's public performance reports are reliable, it uses adequate processes to safeguard public resources, and it has complied with governing authorities.

One important responsibility of the Legislative Assembly is to hold the Government accountable for its management of public resources. By providing relevant, reliable, and timely reports, we help the Assembly to carry out this responsibility.

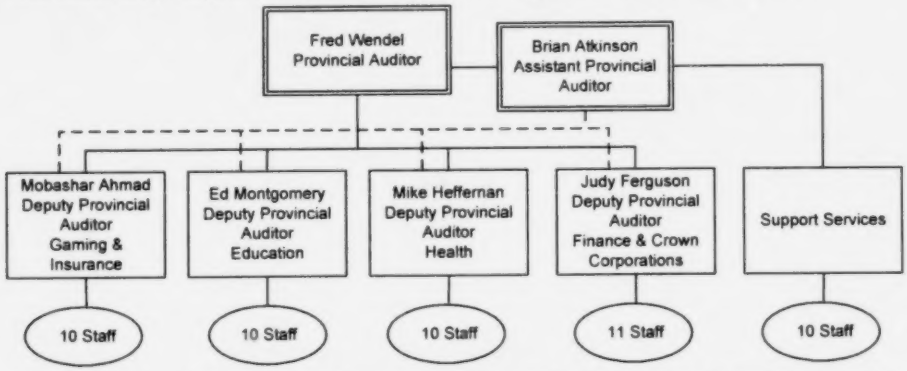
Our work and reports call for public accountability for government operations and sound management. They contribute to informed decision making in government and business-like processes. In turn, this helps the Government carry out its responsibility to use sound management practices.

Exhibit 2—What We Do and the Impact of Our Work



Our organization

The following diagram shows our planned organization for 2006-07.



Our Gaming and Insurance Division's responsibilities include examining the Government's gaming, insurance, pension, and resource management programs. The Government earns over $1 billion annually from non-renewable resources. Also, the Government's pension liabilities total over $7 billion. Pension and insurance liabilities require our staff to acquire special knowledge to understand the methods used by actuaries and the accounting practices in these industries. Gaming operations (casinos) and resource management also require our staff to acquire special knowledge to understand the unique risks in these industries.

Our Education Division's responsibilities include examining the Government's education, training, labour, telecommunications, and infrastructure programs. The learning sector (including early childhood development, pre-kindergarten to grade 12 education, technical training, post-secondary education, and provincial libraries) spends over $2 billion annually. In addition, the Government has over $10 billion invested in infrastructure. The Division is also responsible for our government-wide information technology audits.

Our Health Division's responsibilities include examining the Government's health, justice, welfare, and energy programs. Total public spending on health for the year ended March 31, 2005 was $3 billion. In addition, the Division coordinates our work to encourage the Government's efforts in moving to a public accountability system focussed on results.

Our Finance and Crown Corporations Division's responsibilities include examining the Government's provincial taxation, debt management, transportation, agricultural, and power production and transmission programs. In addition, it leads the audits of the Government's summary financial statements and Crown Investments Corporation of Saskatchewan.

Our Support Services Division's responsibilities include administration, human resources, research, methodology, training, secretarial, clerical, and information technology.

During 2007, our Office expects to employ 57 people. At October 31, 2005, 26 of our employees are professional accountants. Fifteen are training to become professional accountants.

We have the services of a health professional, a lawyer, and a librarian. The skills, experience, and perspectives of these professionals continue to be particularly valuable as we continue to examine broader and more in-depth issues.

Our employees are our most valuable resource because "what we do" depends on their knowledge and skills. Creating and maintaining an environment that encourages ongoing learning is crucial to our success.

Our competencies

Our knowledge, skills, and abilities affect what we do for the public, the Legislative Assembly, and the Government. We apply the following special competencies and experience to our work and reports:

- objectivity, because of our full independence from the Executive Government

- thorough knowledge of the:
  - complex structure and systems the Government uses to manage public resources
  - structure of legislative authorities governing the activities of government agencies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
  - audit of information systems
  - accounting and assurance standards recommended by The Canadian Institute of Chartered Accountants

- working knowledge of the issues facing government agencies operating in many and diverse types of businesses including education, health, insurance, protection of people and property, pension and benefit plans, energy, telecommunications, gaming, transportation, renewable

resources, non-renewable resources, human resources, construction, and financial services

- a business view derived from rigorous professional training that we blend with our practical knowledge of public administration

Risk management

Sound risk management is essential for us to help the Legislative Assembly hold the Government accountable for its management of public resources. To manage risk, we must identify, assess, and reduce possible adverse consequences the Office may experience from events or circumstances.

We routinely identify and assess our risks. We have established processes to reduce to an acceptable level the likelihood that our risks will have adverse consequences on our ability to carry out our duties under *The Provincial Auditor Act*. We accept some degree of risk because it is not cost effective to eliminate all risks.

In our 2005 Annual Report on Operations, our auditor reported that our Office had adequate processes to safeguard public resources entrusted to it by the Assembly. We have not made significant changes to our systems and practices since that audit. Each year, we include our auditor's report on our systems and practices in our annual report on operations.

The following are our key risks.

Our stakeholders do not support our goals and objectives. For the Office to remain viable, legislators, the public, and government officials (our stakeholders) should support our goals and objectives. Pursuing our goals and objectives must result in relevant assurance (audit reports) and advice for our stakeholders. We have established processes so that we set goals and objectives that will result in relevant assurance and advice for our stakeholders.

The Government does not act on our recommendations. Doing independent, reliable, and relevant work at a reasonable cost is vital to our Office's success. These attributes are also essential for our stakeholders to value our advice. We must understand the challenges that the Government faces. Also, our advice must help improve program performance. We have established processes so that our assurance and advice is independent, relevant, reliable, and cost effective.

We do not adequately understand or respond to the challenges and risks faced by our stakeholders. If our assurance and advice is to be reliable, we must understand the challenges and risks faced by the Government. How the Government manages its risks affects the nature and extent of work we must do to report to the Assembly.

We must also understand the challenges and risks faced by legislators and the public if our assurance and advice is to be relevant. To be relevant, our assurance and advice should result in better parliamentary control over government activities and better program performance. We have established processes to set goals and objectives that enable us to understand the challenges and risks faced by our stakeholders.

The Standing Committees on Public Accounts and Crown and Central Agencies are unable to fulfill their responsibilities. Our Office must provide assurance and advice that is consistent with their objectives.

The Standing Committee on Public Accounts is the audit committee for the Legislative Assembly. The Committee is a key agent of change for improving the Government's management of public resources. The Committee's mandate is to help the Legislative Assembly hold the Government accountable for its spending of taxpayers' money and its stewardship over public resources. The Committee reviews and evaluates the activities of government departments and Crown agencies. The Committee works with the Provincial Auditor to carry out the Committee's mandate.

The Standing Committee on Crown and Central Agencies helps the Legislative Assembly hold the Government accountable for its management of public resources. The Committee considers matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, supply and services, central agencies, liquor, gaming, and all other revenue related agencies and entities. Beginning in 2001, the Assembly referred the parts of our reports that relate to the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries to the Committee for review. During those reviews, the Committee works with the Provincial Auditor to carry out the Committee's mandate.

We have established processes to provide independent, relevant, and reliable information that is consistent with the Committees' objectives.

We lose or stakeholders perceive that we have lost our independence. *The Provincial Auditor Act* makes our Office responsible to examine all public resources managed by the Government and the Legislative Assembly (e.g.,

Board of Internal Economy). The Act makes our Office independent of appointed and elected officials so that we can administer the Act without the risk of intimidation.

We carefully guard our independence and report to the Assembly when we are concerned about our independence. Also, we have established processes to maintain objectivity and independence in our work for the Legislative Assembly.

We provide inappropriate or incorrect assurance and advice. Stakeholders must trust and value our assurance (audit reports) and advice. Gaining and keeping their trust is essential for the viability of the Office. We have established processes to ensure that our work is reliable.

We do not have the required competencies and resources. The quality of our work is dependent on the knowledge, skills, and abilities of our employees. We have training programs to enable our employees to acquire the competencies we discuss on page 15.

To discharge our statutory duties, we need sufficient resources to employ the required competent people. We also need sufficient resources to equip, support, and house our employees. We need the support of legislators to obtain the required resources. To gain this support, we have established processes to ensure that our work is relevant to legislators and reliable. Also, we publish a business and financial plan and an annual report on operations to build legislators' support for our request for resources.

We do not manage our resources effectively. Our management practices must promote the effective use of our resources. We have established processes to keep the risk of not doing so at a minimum. Our major input cost to provide our services is salaries and benefits. Salaries and benefits account for nearly 80% of our spending. We carefully monitor the use of staff time. Page 45 shows the actual and planned use of employees' time for five years.

What We Plan To Do

Our goals and objectives

We have three goals:

- Foster well-managed Government
- Encourage meaningful reporting by Government
- Manage our business effectively

Exhibit 3 sets out our goals and objectives. On pages 49 to 65, we set out a summary of our strategic plan for 2005 to 2009 including our goals, objectives, general strategies, and action plans.

Exhibit 3—Our Goals and Objectives

Goal 1 – Foster well-managed Government

Objectives:

1.1 Our stakeholders value our assurance and advice to strengthen the Government's accountability to the Assembly.

1.2 Our stakeholders value our assurance and advice to strengthen the Government's processes to achieve intended results.

Goal 2 – Encourage meaningful reporting by Government

Objectives:

2.1 The Government provides useful summary plans and results to the Assembly.

2.2 Significant agencies report their plans and results to the Assembly.

2.3 Our stakeholders value our timely assurance and advice on the Government's reports on plans and results.

Goal 3 – Manage our business effectively

Objectives:

3.1 Our stakeholders understand and value what we do.

3.2 We are leaders in key areas of legislative auditing.

3.3 We continuously improve our work.

3.4 We embrace our guiding principles.

Our guiding principles

Our Office is committed to earning the respect and confidence of legislators, the public, government officials, and our professional colleagues. Our guiding principles help us meet this objective. The following principles guide us:

Accountability – We actively take responsibility for achieving positive results and explaining our performance.

Balance – We support the balance between work, home, and community responsibilities.

Independence – We maintain our objectivity in all our work.

Innovation – We seek better ways to achieve results and foster continuous learning.

Integrity – We work in a professional, honest, courteous, and fair manner.

Leadership – We lead by example and encourage open communication and teamwork.

Factors affecting our work plan

Our work plan for 2007 enables us to fulfill our duties under *The Provincial Auditor Act*. The Act sets out the agencies we must examine.

We set out our detailed work plan for 2007 at pages 35 to 37. It shows the costs to audit and report on government agencies for our fiscal year ended March 31, 2007 and comparative information. The work plan reflects our goals and guiding principles. It also reflects known information about the following factors at October 31, 2005:

- the 2006 level of government revenues and spending
- the number of government agencies in 2006
- the quality of the Government's records, systems, and practices
- the Government's use of appointed auditors
- professional standards
- the co-operation we expect to receive from government officials and appointed auditors when we do our work
- the public's expectations

At October 31, 2005, the Government manages 291 agencies. Many of these agencies use appointed auditors.

It is the Government's decision to use appointed auditors. The Government has stated that it uses appointed auditors so the Saskatchewan public accounting industry can develop and retain local expertise. The Government is accountable for the costs of using appointed auditors and, therefore, our financial plan does not reflect these costs. However, our detailed work plans reflect the known use of appointed auditors because it affects our costs and the way we carry out our work. The use of appointed auditors reduces our costs but increases the total cost of auditing to taxpayers. It costs more to audit when there are two auditors. Page 74 sets out the total costs to audit government agencies for the last five years.

When the Government appoints a second auditor, we follow the recommendations of the *Task Force on Roles, Responsibilities, and Duties of Auditors* (the document is available on our web site). Following these recommendations will ensure that we serve the Assembly efficiently.

Forces and trends affecting our work plan

Forces and trends also affect our work plans. Six major forces and trends affect our stakeholders (i.e., legislators, the public, and government officials). They also shape our work.

Advancing technology – making possible new ways of communicating and providing services, quicker and often at less cost, but requiring attention to security and loss of privacy.

Changing demographics – a growing Aboriginal population, an aging population, the depopulation of rural Saskatchewan, and increasing retirements.

Economic constraints – increasing demand for government services and continued demand for lower taxes.

Globalization – a highly integrated and interdependent world with an increasingly mobile skilled workforce, strong international competition, and global standards.

Pressure on the environment – the sustainability of our environment balanced with the need for long-term economic activity.

Governance – the need for increased public confidence in government agencies.

These forces and trends have increased the public's expectations. For example, current technology gives the public more accessible information and knowledge about services and taxes in other jurisdictions. Changes in demographics will result in increased demands for services (e.g., health care). The Government's ability to manage scarce public resources and meet the public's increased expectations impacts public attitude.

In Saskatchewan, these forces and trends are straining public resources and are causing stakeholders to re-examine the role of the Government, that is, how it organizes, delivers services, and ensures adequate participation in decision making.

Our focus

We plan to focus our efforts on helping our stakeholders address the challenges emerging from these forces and trends as well as several more specific issues. In particular, we will encourage the Government to address the following challenges:

- Report on how it manages the risks related to advancing technology, changing demographics, economic constraints, globalization, and pressure on the environment

- Improve management of risks related to public sector human resources and the public's valuable infrastructure, including information technology, for effective service delivery

- Improve governance processes for better management of public resources

- Strengthen its management of and accountability for intergovernmental and interagency programs

- Improve the quality of information provided to legislators on the plans and results of the overall Government and each of its agencies including Crown corporations

Indicators of Success

We gauge our success by monitoring seven general indicators. These indicators relate to key outcomes that we plan to achieve through accomplishing our goals and objectives.

1. **Our stakeholders value our assurance and advice**. (goal 1, objectives 1 & 2)

   - The Government acts on 80% of those recommendations that are more than one year old and do not involve major changes.
   - The Government acts on 80% of those recommendations that are more than five years old and involve major changes.
   - The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations that they consider.

2. **The Government and its agencies report their plans and results to the Assembly.** (goal 2, objectives 1 & 2)

   - By 2008, 80% of the key reporting elements of the summary performance plan meet accepted reporting principles.
   - By 2008, 70% of significant agencies publicly report their financial and operating results compared to their targets including information on their key risks and how they manage those risks.

3. **The Assembly receives our timely assurance on the Government's reports on plans and results.** (goal 2, objectives 1, 2, & 3)

   - By 2008, 25% of significant agencies include an audited report on financial controls in their public report.
   - By 2007, 50% of those significant government agencies that receive our audit reports on the reliability of their key non-financial performance information include those reports in their public reports.
   - Our work is reported by established deadlines and within the planned costs set out in our Business & Financial Plan.

4. **Our stakeholders understand and value what we do.** (goal 3, objective 1)

   - The Government acts on 80% of those recommendations that are more than one year old and do not involve major changes.
   - The Government acts on 80% of those recommendations that are more than five years old and involve major changes.

- The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations that they consider.
- Our work is reported by established deadlines and within the planned costs set out in our Business & Financial Plan.
- Post audit questionnaires indicate a positive trend in satisfaction with our work.
- Our auditor reports publicly and positively on our performance (e.g., our financial statements, our compliance with *The Provincial Auditor Act*, the adequacy of our financial controls, and the reliability of one of our key non-financial performance indicators per year).

5. **We are leaders in key areas of legislative auditing.** (goal 3, objective 2)

- By 2008, 25% of significant government agencies include an audited report on financial controls in their public report.
- Our auditor reports publicly and positively on our performance (e.g., our financial statements, our compliance with *The* Provincial Auditor Act, the adequacy of our financial controls, and the reliability of one of our key non-financial performance indicators per year).

6. **We continuously improve our work.** (goal 3, objective 3)

- Our staff time is used as set out in our Business and Financial Plan.
- Post audit questionnaires indicate a positive trend in satisfaction with our work.
- Our pass rates for students in professional accounting programs exceed national averages each year.
- Positive reports on our work from the Institute of Chartered Accountants of Saskatchewan.
- Positive CCOLA Peer Review reports on our work.
- Our work is reported by established deadlines and within the planned costs set out in our Business & Financial Plan.
- The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations that they consider.

7. **We maintain a positive healthy work environment.** (goal 3, objective 4)

- Our corporate culture surveys indicate a positive trend in our working environment.

Historical comparison of the costs of our work plans

Table 1 is a summary of costs to carry out our detailed work plans. The Table shows a five-year summary comparison of costs to discharge our duties under *The Provincial Auditor Act*.

Table 1

(in $ millions)

Work Plan Costs Our Costs to Audit Each Government Agency for Our Fiscal Years Ended March 31 as at September 30, 2005				
2004 Actual	**2005 Actual**	**2006 Planned**	**2007 Planned**	**2008 Planned**
$5.361	$5.786	$5.576	$5.695	5.695
(Details on pages 35 to 37)				(Details to be determined in 2006)

The cost to carry out our work plan shows differences between years. Our annual reports on operations for 2004 and 2005 contain detailed explanations about our planned and actual costs. The primary factors for increased costs between 2004 and 2005 were new government agencies created, salary pressures in the public and private sector for professional auditors, and unplanned work.

Our funding request on page 5 explains the differences between our 2006 and 2007 planned costs to audit government agencies.

On pages 35 to 37, we compare our detailed work plans for the years 2004 to 2007. We explain differences between years on these pages.

The 2008 work plan costs in Table 1 reflect our performance target for 2008. We plan to absorb inflationary increases except for general salary and benefit increases that the Government gives to public servants. This cost projection also assumes that the number of government agencies, the quality of their management systems and practices, the use of appointed auditors, professional standards, and total Government revenues and expenses will remain constant.

Impact of alternative funding levels

If we do not obtain sufficient revenue from the Standing Committee on Public Accounts, we will have to reduce our staff. We will then not be able to carry out our work plan.

We use a risk-based model to set priorities and allocate resources for our work plan. The model uses criteria to guide us in assessing the impact of each audit on our overall ability to serve the Legislative Assembly.

Our decisions reflect that we must provide assurance on the Government's financial statements. We must also provide assurance on the adequacy of the Government's management of public resources and its compliance with the law. If we are unable to obtain sufficient revenue, we will provide less service by not auditing certain agencies in the following sequence:

- revolving and other special purpose funds
- agricultural marketing boards and commissions
- certain CIC related Crown corporations

When we do not examine Government agencies, the Assembly does not receive our assurances on the Government's financial statements, its compliance with governing authorities, and the adequacy of its management of public resources.

If necessary, we will report to the Legislative Assembly which Government agencies we were unable to audit. When this is necessary, we are concerned with the impact this message has on public confidence in our system of Government.

Supporting Reports and Schedules

Management's Responsibility for the Financial Forecast

The accompanying financial forecast consisting of a statement of revenue and expenditure included in the Business and Financial Plan for the Office of the Provincial Auditor for the year ending March 31, 2007 is the responsibility of management of the Office. Management has prepared the financial forecast in accordance with generally accepted accounting principles in Canada. The financial information presented elsewhere in this Business and Financial Plan is consistent with that in the financial forecast.

To ensure the integrity and objectivity of the financial data, management maintains an appropriate code of conduct, a comprehensive system of internal controls including written policies and procedures, and an organizational structure that segregates duties. These measures provide reasonable assurance that the most probable set of economic conditions are reflected in the assumptions the Office developed to prepare the financial forecast. These measures also provide reasonable assurance that the assumptions are suitably supported and consistent with the goals and plans developed by the Office, and provide a reasonable basis for the forecast.

The financial forecast was audited by the firm of Virtus Group LLP, Chartered Accountants and Business Advisors. Their report to the Standing Committee on Public Accounts stating the scope of their examination and opinion on the financial forecast appears on page 29.

November 23, 2005
Regina, Saskatchewan

Fred Wendel, CMA, CA
Provincial Auditor

AUDITORS' REPORT ON FINANCIAL FORECAST

To the Standing Committee on Public Accounts:

The accompanying financial forecast of the Office of the Provincial Auditor consisting of a Statement of Revenue and Expenditure for the year ending March 31, 2007 has been prepared by management using assumptions with an effective date of October 31, 2005. We have examined the support provided by management for the assumptions, and the preparation and presentation of this forecast. Our examination was made in accordance with the applicable Auditing Guideline issued by The Canadian Institute of Chartered Accountants. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the Office, and provide a reasonable basis for the forecast
- this forecast reflects such assumptions
- the financial forecast complies with the presentation and disclosure standards for forecasts established by The Canadian Institute of Chartered Accountants

Since this forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variances may be material. Accordingly, we express no opinion as to whether this forecast will be achieved.

Virtus Group LLP

November 23, 2005
Regina, Saskatchewan

CHARTERED ACCOUNTANTS

Statement of Revenue and Expenditure
For the Years Ended March 31

	2004 Actual	2005 Actual	2006 Estimate	2007 Forecast (Note 4)	2008 Projection
			($ Thousands)		
REVENUE:					
General Revenue Fund					
- Appropriation	$ 5,405	$ 5,405	$ 5,576	**$ 5,695**	$ 5,695
- Contingency Appropriation (Note 8)	350	350	356	**359**	359
Other	26	22	22	**24**	24
Total Revenue	5,781	5,777	5,954	**6,078**	6,078
EXPENDITURE:					
Salaries (see page 44) (Note 5)	3,608	3,628	3,562	**3,723**	3,723
Administration	532	560	565	**566**	566
Employee benefits	526	547	554	**583**	583
Rent of space and equipment	355	351	367	**371**	371
Agent and advisory services (Note 5)	217	278	484	**303**	303
Training and development	142	138	148	**149**	149
Total operating expenditure (Note 6)	5,380	5,502	5,680	**5,695**	5,695
Transfer to GRF (Note 7)					
- Return of Appropriation	375	253	252	**359**	359
- Other	26	22	22	**24**	24
Total transfer to GRF	401	275	274	**383**	383
Total expenditure	5,781	5,777	5,954	**6,078**	6,078
Excess of revenue over expenditure	-	-	-	**-**	-

(see accompanying notes on pages 31 to 33)

Notes to the Statement of Revenue and Expenditure For the Year Ended March 31, 2007

1. General Information

The financial information presented covers five years. The information for 2004 and 2005 comes from the Office's audited financial statements included in the Office's annual reports on operations for those years. Virtus Group LLP, Chartered Accountants and Business Advisors audited the Office's 2004 and 2005 financial statements. The information for the 2006 estimate and the 2008 projection is not audited.

2. Summary of Accounting Policies

The Office used accounting principles recommended by The Canadian Institute of Chartered Accountants to prepare this financial information. The Office considers the following accounting principles to be significant:

(a) Basis of Accounting

The financial information is prepared on the expenditure basis of accounting. Expenditures are the cost of goods and services acquired in the year whether or not the Office has made payment.

(b) Revenue

The Office records the appropriation from the General Revenue Fund when it is receivable.

Other revenue is recognized on the basis of the percentage of work completed for those government agencies that have signed contracts to pay fees or have otherwise agreed to pay fees.

(c) Tangible Capital Assets

Tangible capital assets are charged to expenditure when purchased rather than when consumed.

3. Financial Information is a Forecast

The financial information presented for 2007 is a forecast, and accordingly actual results will vary and the variations may be material. The Office will report actual results compared to planned results for 2006 and 2007 in the Office's 2006 and 2007 Annual Reports on Operations. The Office provides its annual report on operations to the Legislative Assembly.

4. Assumptions

The Office prepared the financial information for the year ended March 31, 2007 using the assumptions presented in these notes to the financial information. The assumptions reflect the Office's planned course of action for this period as set out on pages 49 to 65. The Office based the assumptions on management's judgement of the most probable set of economic conditions for this period based on known information at October 31, 2005. The significant assumptions are:

- *Revenue current year's appropriation* is the amount of money the Office needs from the General Revenue Fund to finance operations. The Office returns any amounts not required during the year to the General Revenue Fund at year-end.

- *Revenue contingency appropriation* is the amount of money from the General Revenue Fund required for unforeseen expenses. The Office returns any amounts not required during the year to the General Revenue Fund at year-end.

- *Other* includes fees charged to other agencies for ancillary services and other income. The Office deposits all revenues to the General Revenue Fund.

- *Salaries* are based on 57 full-time equivalents at an average salary cost of $65,300 (see page 44).

- Average salary cost is determined using best estimates of expected pay for current and new employees based on past trends and expected economic conditions. The average increase to salaries includes a 1% July 1, 2006 economic adjustment we anticipate the Government will provide to other public sector workers. Average salary cost also reflects the effect on our salary costs of six professional accountants leaving the Office and hiring nine new staff.

- The 57 person years reflects the number of persons necessary to obtain 62,000 audit hours to audit the agencies set out on pages 36 to 37. The 62,000 audit hours takes into account known information at October 31, 2005 about the state of the government's systems and practices, the number of government agencies, the Government's use of appointed auditors, and auditing standards. The Office based the number of persons necessary to achieve 62,000 audit hours on the planned use of employee time set out on pages 45 to 46.

- *Employee benefits* include the costs of the following benefits: Canada pension plan, employment insurance, workers' compensation, public employees pension plan, public employees dental plan, public employees disability income plan, public employees group life plan, and public employees extended health plan. The costs reflect current rates charged for these benefits.

- *Administration* reflects management's best estimates based on past trends and current economic conditions for costs such as: travel to audits, computer hardware and software purchases and maintenance, professional fees and dues, telephone, printing, and office supplies.

- *Rent of space and office equipment* is nearly all for office space and is based on a ten-year lease that commenced April 1, 2002.

- *Agent and advisory services* represents management's best estimates for legal costs, the cost of auditing the Office, and other contractual services.

- *Training and development* costs are the estimated out-of-pocket costs to train staff to become professional accountants, keep the knowledge and skills of current professional accountants up-to-date, and gain knowledge in specialized areas. The Office based the costs on past trends and office policies. (See pages 47 to 48.)

5. Agent and Advisory

In 2006, the Office required extra contract staff due to higher than anticipated staff turnover, maternity leave and other leaves of absence.

6. Total operating expenditure

The Office's actual spending for the seven months ended October 31, 2005 was $3.229 million (unaudited).

7. Transfer to General Revenue Fund (GRF)

The Provincial Auditor Act requires the Office to deposit all fees and other revenues to the General Revenue Fund. In addition, the Act requires the Office to return any excess appropriations to the General Revenue Fund. The Office anticipates that it will deposit $22,000 of fees and $252,000 of our contingency appropriation to the General Revenue Fund for March 31, 2006.

8. Contingency Appropriation

In the past, the Office maintained net financial assets equal to approximately one month's salary and benefit expenses. This practice allowed our Office to manage unforeseen circumstances effectively. To enable the Provincial Auditor to retain the independence to manage effectively, the Public Accounts Committee recommended that the Act should provide for the Provincial Auditor to obtain an extra appropriation each year. The Act provides for a contingency appropriation to replace the Office's net financial assets.

Statement of Revenue and Expenses
For the Years Ended March 31

	2004 Actual	2005 Actual	2006 Estimate	2007 Forecast	2008 Projection
			($ Thousands)		
REVENUE:					
General Revenue Fund					
- Current Year's Appropriation	$ 5,405	$ 5,405	$ 5,576	**$ 5,695**	$ 5,695
- Contingency Appropriation	350	350	356	**359**	359
Other	26	22	22	**24**	24
Total Revenue	5,781	5,777	5,954	**6,078**	6,078
EXPENSES:					
Salaries	3,608	3,628	3,562	**3,723**	3,723
Administration	553	547	562	**575**	575
Employee benefits	524	547	554	**583**	583
Rent of space	351	351	367	**371**	371
Agent and advisory services	217	278	484	**303**	303
Training and development	143	137	148	**149**	149
Total operating expense	5,396	5,488	5,677	**5,704**	5,704
Transfer to GRF					
- Return of unused Appropriation	375	253	252	**359**	359
- Other	26	22	22	**24**	24
Total transfer to GRF	401	275	274	**383**	383
Total expense	5,797	5,763	5,951	**6,087**	6,087
Annual surplus (deficit)	(16)	14	3	**(9)**	(9)
Accumulated surplus, beginning of year	170	154	168	**171**	162
Accumulated surplus, end of year	$ 154	$ 168	$ 171	**$ 162**	$ 153

We prepared this statement using the expense basis of accounting. We include this statement because we report our actual results using the expense basis of accounting in our annual report on operations.

Schedule of Actual and Planned Costs to Audit Government Agencies for the years ended March 31

The following schedule shows our actual costs to audit government agencies for our fiscal years ended March 31, 2004 and March 31, 2005. The schedule also shows our planned costs to audit government agencies for our fiscal years ended March 31, 2006 and March 31, 2007.

The "nature of each examination" is described in section 11 of *The Provincial Auditor Act*, which states:

> *11(1) The Provincial Auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:*
>
> *(a) the accounts have been faithfully and properly kept;*
>
> *(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;*
>
> *(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and*
>
> *(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.*

The information for 2004 and 2005 was originally provided in the Schedule of Actual Costs to audit Government Agencies included in our 2004 and 2005 Annual Reports on Operations. The audited information noted there would be future costs to complete these audits. Virtus Group LLP, Chartered Accountants and Business Advisors audited those schedules. Also, those schedules provide a comparison of our planned and actual costs to audit agencies for those years and an explanation for significant differences. The actual results reported here have been updated to include costs for these audits up to September 30, 2005.

	2004	2005
	($ Thousands)	
Actual costs as at March 31 audited by Virtus Group LLP	$ 4,882	$ 5,146
Additional costs to September 30, 2005	479	366
Projected costs to complete work	--	274
Total costs to audit government agencies	$ 5,361	$ 5,786

Schedule of Actual and Planned Costs to Audit Government Agencies for the years ended March 31 as at September 30, 2005

Department or Agency	2004 Actual		2005 Actual		2006 Planned		2007 Planned	
	($ Thousands)							
Department of Agriculture and Food	$ 257		$ 277		$ 302		$ 343	(1)
Department of Community Resources and Employment	250		176	*(21)	183		192	
Department of Corrections and Public Safety	33		31		29		29	
Department of Culture, Youth and Recreation	125		134		125		132	
Department of Environment	197		153	(22)	194	(11)	209	
Department of Finance	622		770	*(23)	700	(12)	705	
Department of First Nations and Metis Relations	-		-		26	(13)	33	
Department of Government Relations	-		-		66	(13)	89	
Department of Government Relations and Aboriginal Affairs	183		127	*(24)	-	(13)	-	
Department of Health	609		556	*(25)	694	(14)	681	
Department of Highways and Transportation	129		97		78		86	
Department of Industry and Resources	82		132	(26)	73	(15)	68	
Department of Justice	176		196	*	166		301	(2)
Department of Labour	72		25	(27)	23		25	
Department of Learning	702		696	*	779	(16)	706	(3)
Department of Northern Affairs	-		45	(28)	29		30	
Department of Property Management	-		-		-		60	(4)
Department of Rural Development	-		-		-		26	(5)
Crown Investments Corporation of Saskatchewan	104		189	(29)	138	(17)	97	(6)
Executive Council	27		29		20		20	
Information Services Corporation of Saskatchewan	52		21		12		13	
Information Technology Office	-		16		25		35	
Legislative Assembly	46		50		46		55	
Municipal Financing Corporation of Saskatchewan	2		2		2		2	
Public Service Commission	12		15		15		10	
Saskatchewan Development Fund Corporation	4		2		7		4	
Saskatchewan Gaming Corporation	96		106	*	96		102	(7)
Saskatchewan Government Growth Fund Management Corporation	16		18		20		20	
Saskatchewan Government Insurance Corporation	96		70		104		70	

Department or Agency	2004 Actual	2005 Actual	2006 Planned	2007 Planned
		($ Thousands)		
Saskatchewan Liquor and Gaming Authority	$ 284	$ 342 *(30)	$ 259 (18)	$ 295
Saskatchewan Municipal Board	1	-	-	-
Saskatchewan Opportunities Corporation	9	9	7	7
Saskatchewan Power Corporation	96	76 *	102	57 (8)
Saskatchewan Property Management Corporation	14	28 *	13	- (4)
Saskatchewan Research Council	60	59	73	72
Saskatchewan Safety Council	16	19	19	17
Saskatchewan Telecommunications Holding Corporation	95	76	142 (19)	70 (9)
Saskatchewan Transportation Company	6	6	8	38
Saskatchewan Water Corporation	16	11	15	14
SaskEnergy Incorporated	121	57 (31)	52	62
Workers' Compensation Board	82	46	38	71
Government-Wide, Sectoral, and Special Issue Audits	307	404 *(32)	444 (20)	342 (10)
Legislative Committees and Public Reports	364	446 (33)	453	447
TOTAL COSTS	5,361	5,512	5,576	5,695
* Costs remaining to complete audits not done at September 30, 2005	-	274	-	-
TOTAL COSTS TO AUDIT GOVERNMENT AGENCIES	5,361	5,786	5,576	5,695
Average cost per audit hour**	$ 82.39	$ 84.72	$ 87.32	$ 89.62

** The average cost per audit hour is the total expenditure for the year from page 30, less direct costs (e.g., audit travel, audit advisors, and report publishing costs), divided by the total audit hours for all employees for the year (see page 45). The increase in the average cost per hour is primarily due to increasing salaries and benefits which are based on the economic adjustments to salaries and benefits given to public servants (see page 44).

Explanations for Differences Greater Than $40,000 Between Years

2007 Planned Costs

(1) ***Department of Agriculture and Food*** – Our 2007 planned costs are more than our 2006 planned costs by $41,000. For 2007, we plan to assess the adequacy of Saskatchewan Crop Insurance Corporation's processes to set premium rates. This increases our costs by $31,000.

(2) ***Department of Justice*** – Our 2007 planned costs are $135,000 more than our 2006 planned costs. For 2007, we plan to assess the adequacy of the new Integrated Justice System in meeting the needs of the Department ($73,000) and the Department's management control systems for enforcing Saskatchewan's securities laws ($51,000).

(3) ***Department of Learning*** – Our 2007 planned costs are $73,000 less than our 2006 planned costs. In 2006, we plan to examine the human resource planning processes of one of Learning's agencies ($40,000) and the reliability of selected Department public performance information ($61,000).

(4) ***Department of Property Management*** – The government discontinued the Saskatchewan Property Management Corporation effective April 1, 2005 and created the Department of Property Management.

(5) ***Department of Rural Development*** – The government created the Department of Rural Development effective April 1, 2005.

(6) ***Crown Investments Corporation of Saskatchewan*** – Our 2007 planned costs are less than our 2006 planned costs by $41,000. For 2006, we plan to directly audit the authority and support for payments to directors and executives increasing our costs by $11,000. For 2007, we plan to reduce the audit work required for a number of subsidiary companies decreasing our costs by $25,000.

(7) ***Saskatchewan Gaming Corporation*** – Our 2007 planned costs are $67,000 more than our 2006 planned costs. For 2007, we plan to assess the adequacy of the Corporation's project management practices used for acquiring the new casino management system ($35,000) and the Corporation's processes to plan ($30,000).

(8) ***Saskatchewan Power Corporation*** – Our 2007 planned costs are $45,000 less than our 2006 planned costs. For 2006, we plan to assess whether SaskPower has adequate processes to control its infrastructure ($28,000) and directly audit the authority and support for payments to directors and executives ($6,000).

(9) ***Saskatchewan Telecommunications Holding Corporation*** – Our 2007 planned costs are less than our 2006 planned costs by $72,000. For 2006, we plan to audit Saskatchewan Telecommunication's processes to protect its intellectual property rights (e.g. patents) ($63,000) and directly audit the authority and support for payments to directors and executives ($6,000).

(10) ***Government Wide, Sectoral, and Special Issue Work*** – Our 2007 planned costs are $102,000 less than our 2006 planned costs. For 2006, we plan to assess the state of the Government's overall accountability to the Assembly compared with other Canadian jurisdictions ($53,000) and the adequacy of SaskWater's processes to maintain key water supply infrastructure ($60,000).

2006 Planned Costs

(11) ***Department of Environment*** – Our 2006 planned costs are more than our 2005 actual costs by $41,000. For 2006, we plan to assess the adequacy of the Department's processes to monitor water quality increasing our costs by $59,000.

(12) ***Department of Finance*** – Our 2006 planned costs are $70,000 less than our 2005 actual costs. To complete all of our work for 2005 would cost a further $11,000. As a result, our 2006 planned costs are $81,000 less than our 2005 actual costs. Our work for 2005 includes 6 new pension plan audits, 4 of which were not anticipated when we set our budget for 2006 ($31,000). Also for 2005, we spent $27,000 more on the audit of the summary financial statements due to significant changes to the accounting

standards for summary financial statements, and $15,000 more on the audit of the Public Employees Benefits Agency (PEBA) for pension governance issues because of an increase in the number of pension and benefit plans administered by PEBA. Our plan for 2006 did not anticipate these increases.

(13) ***Department of First Nations and Métis Relations and Department of Government Relations*** – The government discontinued the Department of Government Relations and Aboriginal Affairs effective October 1, 2004 and created two new departments: the Department of First Nations and Métis Relations and the Department of Government Relations.

(14) ***Department of Health*** – Our 2006 planned costs are more than our 2005 actual costs by $138,000. In 2006, we plan to examine the Department's plan for its human resources needs ($40,000), to manage its surgical wait lists ($40,000), and to provide public reporting of its infrastructure ($38,000).

(15) ***Department of Industry and Resources*** – Our 2006 planned costs are less than our 2005 actual costs by $59,000. For 2005, we examined the Department's planning processes ($47,000) and did additional work on the *Future is Wide Open Campaign* ($12,000).

(16) ***Department of Learning*** – Our 2006 planned costs are $83,000 more than our 2005 actual costs. In 2006, we plan to examine the human resource planning processes of one of Learning's agencies ($40,000) and the reliability of selected Department public performance information ($61,000).

(17) ***Crown Investments Corporation of Saskatchewan (CIC)*** – Our 2006 planned costs are $51,000 less than our 2005 actual costs. In 2005, we reviewed the Balanced Scorecard performance measurement reports in CIC Crowns and compared them to performance reports by Crowns in other jurisdictions ($52,000) and we audited the Board and senior executive pay and expenses at CIC, SaskPower, SaskEnergy, SGI, and SaskTel ($56,000). This audit, which looked at pay and expenses for the year ended December 31, 2003, was undertaken after a report revealed irregularities in pay and expenses of senior executives at SaskEnergy. These increases were offset by a reduction in the audit work required for a number of subsidiary companies which was not anticipated when the 2006 budget was set.

(18) ***Saskatchewan Liquor and Gaming Authority (SLGA)*** – Our 2006 planned costs are less than our 2005 actual costs by $83,000. To complete all of our work for 2005 would cost a further $35,000. As a result, our 2006 planned costs are $118,000 less than our 2005 actual costs. For 2005, our actual costs were higher than planned for three reasons. First, our plan was based on the assumption that the Saskatchewan Indi n Gaming Authority (SIGA) would have fully implemented all our past recommendations. SIGA did not do so resulting in more work. Second, we identified that SIGA misspent $480,000. Third, SIGA asserted its view that the money it handles does not belong to SLGA. We spent significant time at senior levels to resolve all the issues resulting from SIGA's view. Our plan for 2006 did not anticipate additional work related to these 2005 issues.

(19) ***Saskatchewan Telecommunications Holding Corporation*** – Our 2006 planned costs are more than our 2005 actual costs by $66,000. For 2006, we plan to audit Saskatchewan Telecommunication's processes to protect its intellectual property rights (e.g. patents), increasing our costs by $63,000.

(20) ***Government Wide, Sectoral, and Special Issue Work*** – Our 2006 planned costs are $40,000 more than our 2005 actual costs. To complete all of our work for 2005 would cost a further $102,000. As a result, our 2006 planned costs are $62,000 less than our 2005 actual costs. In 2005 we assessed the adequacy of the Public Service Commission's processes to lead human resource planning across departments ($92,000). In 2006, we plan to follow up on the results of this audit at a cost of $10,000.

2005 Actual Costs

(21) ***Department of Community Resources and Employment*** – Our 2005 actual costs are $74,000 less than our 2004 actual costs. To complete all of our work for 2005 would cost a further $12,000. As a result, our 2005 actual costs are less than our 2004 actual costs by $62,000. In 2004, we examined the Department's processes to help social assistance recipients to get off welfare ($61,000). In 2005, we plan to follow up on the results of this audit at a cost of $12,000.

(22) ***Department of Environment*** – Our 2005 actual costs are less than our 2004 actual costs by $44,000. In 2004, we examined the Department's systems and practices for monitoring air pollutants caused by industry emissions in the Province. This increased our costs by approximately $45,000. We reported on this work in our 2004 Report – Volume 1.

(23) ***Department of Finance*** – Our 2005 actual costs are more than our 2004 actual costs by $148,000. To complete all of our work for 2005 would cost a further $11,000. As a result, our 2005 actual costs are $159,000 more than our 2004 actual costs. Our work for 2005 includes 6 new pension plan audits ($65,000). In 2005, we spent $56,000 more on the audit of the summary financial statements due to significant changes to the accounting standards for summary financial statements and increased audit work related to the Government's pension liability. Also in 2005, we spent $22,000 more on the audit of the Public Employees Benefits Agency (PEBA) for pension governance issues because of an increase in the number of pension and benefit plans administered by PEBA.

(24) ***Department of Government Relations and Aboriginal Affairs*** – Our 2005 actual costs are less than our 2004 actual costs by $56,000. For 2004, we did additional audit work due to issues at Northern Revenue Sharing Trust Account ($16,000) and risks related to aboriginal governance ($50,000).

(25) ***Department of Health*** – Our 2005 actual costs are less than our 2004 actual costs by $53,000. In 2004, we audited the *Health Indicators Report* at a cost of $86,000. Our costs for 2005 do not include this work. In 2005, we prepared a special report to the Lieutenant Governor in Council regarding the Métis Addictions Council of Saskatchewan increasing our costs by $31,000.

(26) ***Department of Industry and Resources*** – Our 2005 actual costs are more than our 2004 actual costs by $50,000. For 2005, we examined the Department's planning processes increasing our costs by $47,000.

(27) ***Department of Labour*** – Our 2005 actual costs are less than our 2004 actual costs by $47,000. In 2004, we examined the Department's processes to assist injured workers ($53,000). We reported our results in our 2003 Report – Volume 3.

(28) ***Department of Northern Affairs*** – The Government created the Department of Northern Affairs effective December 8, 2004.

(29) ***Crown Investments Corporation of Saskatchewan (CIC)*** – Our 2005 actual costs are more than our 2004 actual costs by $85,000. In 2005, we reviewed the Balanced Scorecard performance measurement reports in CIC Crowns and compared them to performance reports by Crowns in other jurisdictions ($52,000) and we audited the Board and senior executive pay and expenses at CIC, SaskPower, SaskEnergy, SGI, and SaskTel ($56,000). This audit, which looked at pay and expenses for the year ended December 31, 2003, was undertaken after a report revealed irregularities in pay and expenses of senior executives at SaskEnergy. These increases were offset by a reduction in the audit work required for a number of subsidiary companies.

(30) ***Saskatchewan Liquor and Gaming Authority (SLGA)*** – Our 2005 actual costs are $58,000 more than our 2004 actual costs. To complete all of our work for 2005 would cost a further $35,000. As a result, our 2005 actual costs are $93,000 more than our 2004 actual costs. Our work in 2005 includes an assessment of whether SLGA has adequate processes to encourage responsible alcohol use ($55,000). Also in 2005, we identified that SIGA misspent $480,000 and SIGA asserted its view that the money it handles does not belong to SLGA. We spent significant time at senior levels to resolve all the issues resulting from SIGA's view.

(31) ***SaskEnergy Incorporated*** – Our 2005 actual costs are less than our 2004 actual costs by $64,000. For 2004, we audited the development of SaskEnergy's new management information system, *OneWorld*. This increased our actual costs by $80,000. In 2005, our costs increased by $16,000 as a result of further audit work undertaken after a report revealed irregularities in pay and expenses of senior executives at SaskEnergy and to assess SaskEnergy's processes to manage spending for sponsorships and promotion. Our findings were reported in our 2004 Report – Volume 3.

(32) ***Government Wide, Sectoral, and Special Issue Work*** – Our 2005 actual costs are more than our 2004 actual costs by $97,000. To complete all of our work for 2005 would cost a further $102,000. As a result, our 2005 actual costs are $199,000 more than our 2004 actual costs. In 2005, we reported on the state of the Government's overall accountability to the Assembly compared with other jurisdictions ($22,000) and we assessed the adequacy of the Public Service Commission's processes to lead human resource planning across departments ($92,000). In 2004, we planned fewer government-wide information technology audits because of the information technology audits planned for SaskEnergy and the Department of Finance decreasing our government-wide work by $65,000.

(33) ***Legislative Committees and Public Reports*** – Our 2005 actual costs are more than our 2004 actual costs by $82,000. In 2004, fewer staff attended Legislative Committee meetings than in 2005 resulting in cost savings of $56,000. Also, we reduced our costs for preparing and publishing our public reports to the Legislative Assembly by approximately $26,000 in 2004. These savings did not continue for 2005.

Government Agencies Created in 2005-2006

The following agencies were created during 2005-2006 and result in more work for us in 2006-2007. As a result, we request additional resources in 2006-2007 to do these audits:

Department of Finance		
Saskatchewan Power Pre-1996 Severence Plan	$ 10,300	
Saskatchewan Power Designated Employee Benefit Plan	10,300	
Saskatchewan Watershed Authority Retirement Allowance Plan	8,600	
Saskatchewan Water Corporation Retirement Allowance Plan	8,600	$ 37,800
Department of Learning		
Saskatchewan Population Health Evaluation and Research Unit, Inc.	11,600	11,600
Department of Property Management	59,700	59,700
Department of Rural Development	26,000	26,000
Crown Investments Corporation of Saskatchewan		
Gradworks	4,200	4,200
		$ 139,300

We submit our request for resources in November of a year (2005) for the next April to March fiscal (2006-2007) year. Our request is for the purpose of auditing government agencies for their years ended in the period January 1, 2006 to December 31, 2006. We base our request on information known to October 31, 2005. We will reflect information received after that date in our next request for resources.

Government Agencies Wound Up in 2005-2006

The following agencies were wound up during 2005-2006 and result in less work for us in 2006-2007. As a result, we do not request resources in 2006-2007 to do these audits:

Department of Finance		
Education Infrastructure Financing Corporation	$ 4,700	$ 4,700
Department of Learning		
University of Saskachewan Clinicians Pension Plan	9,400	9,400
Crown Investments Corporation of Saskatchewan		
PCF Investments	4,300	
WTC Investments	4,300	8,600
Saskatchewan Property Management Corporation	12,900	12,900 [1]
SaskTel Holding Corporation		
Retx Inc.	3,500	3,500
		$ 39,100

We submit our request for resources in November of a year (2005) for the next April to March fiscal (2006-2007) year. Our request is for the purpose of auditing government agencies for their years ended in the period January 1, 2006 to December 31, 2006. We base our request on information known to October 31, 2005. We will reflect information received after that date in our next request for resources.

[1] Our cost to audit SPMC does not include government appointed auditor fees of $64,000 (2004 fees).

Forecast and Actual
Full Time Equivalent Positions and Average Salaries

Information on full time equivalent positions and salary levels

	Full Time Equivalent Positions		Average Salaries[1]	
Fiscal Year Ended	Forecast	Actual [2]	Forecast	Actual [2]
1997	63	63	48,400	48,773
1998	62	62	48,700	50,358
1999	61	61	50,000	52,377
2000	60	59	52,200	53,932 [3]
2001	59	58	56,220	57,210
2002	59	52 [4]	58,980	60,750 [4]
2003	59	55	62,085	62,000
2004	57	57	63,965	63,298
2005	57	55	65,140	65,964
2006	57	54 [4,5]	64,860	65,963 [5]
2007	57		65,300	

[1] Our average salaries have increased from 1997 to 2007 primarily due to the Provincial Auditor's staff receiving similar economic adjustments as those the Government provided to public servants. We set out below the economic adjustments the Government provided to public servants. These economic adjustments alone would cause our average salary at March 31, 1997 to increase from $48,773 per year to $57,696 by March 31, 2007. The rest of the increase, to $65,300 for 2007, was caused by our need to respond to market pressures in 2001 and 2005. The economy in both years provided more opportunities for new university graduates causing increased starting salaries. We increased our starting salaries six percent for 2001 and 13% for 2005. These decisions impacted salaries for all staff training to become professional accountants. Also, the economy created more opportunities and higher salaries for recently qualified professional accountants. We note the Government responded to this market pressure and provided a special increase to the salaries of professional auditors ranging from 5% to 12%. We also responded to these market pressures in 2001.

July 1, 1997	1%	July 1, 2000	2%	July 1, 2003	2.5%
July 1, 1998	3%	July 1, 2001	3%	July 1, 2005	1%
July 1, 1999	2%	July 1, 2002	2.5%		

[2] Actual full-time equivalent positions and average salaries on this page represent the information for our employees only.

[3] Average salaries at March 31, 2000 after adjustment for a $81,000 decrease in accrued vacation pay.

[4] A number of staff were on maternity and other leaves this year. We replaced these staff by contracting staff from accounting firms. This changed the usual composition of our normal average salary.

[5] Estimated number of full-time equivalent positions and average salaries at October 31, 2005.

Schedule of Actual and Planned Time Employees Spend on Tasks For the Years Ended March 31

	Actual			Planned	
Employee time	**2003**	**2004**	**2005**	**2006**	**2007**
Working hours	86%	84%	85%	85%	85%
Vacation leave and statutory holidays	12% [1]	13%	13%	13%	13%
Sick leave	2%	3% [2]	2%	2%	2%
Total paid hours	100%	100%	100%	100%	100%
Working hours tasks					
Audits	66%	66%	67%	66%	66%
Support services	13%	13%	13%	12%	13%
Office administration	14%	13%	12%	13%	12%
Training	7%	8%	8%	9%	9%
Total work hours	100%	100%	100%	100%	100%
Total full time equivalent positions	58	58	57	57	57

(see accompanying notes to the schedule on page 46)

[1] Our vacation leave and statutory holidays are similar to those provided to employees in the public service. 2003 reflects one less statutory holiday (Easter) for the period.

[2] 2004 was not a representative year for the Office. The "flu bug" and staff needing to care for gravely ill parents significantly affected our Office.

Notes to the Schedule of Actual and Planned Time Employees Spend on Tasks For the Years Ended March 31

1. Purpose

This schedule shows employee tasks and the percentage of time employees spend on these tasks. The schedule shows actual percentages for the years ended March 31, 2003 to March 31, 2005. The schedule also shows planned percentages for these tasks for the years ended March 31, 2006 and 2007.

The information for 2003, 2004, and 2005 comes from the Schedule of Actual Time Employees Spend on Tasks included in our Annual Reports on Operations for those years. The 2003, 2004, and 2005 schedules were audited by Virtus Group LLP, Chartered Accountants and Business Advisors.

2. Definitions

Working hours - This is the time available after deducting vacation leave, statutory holidays, and sick leave.

Vacation leave and statutory holidays - Employees receive paid vacation leave. Leave is based on years of service. Employees also receive 11 paid statutory holidays.

Sick leave - Employees receive paid sick leave. The amount of paid leave is based on years of service.

Total paid hours - This is the total of working hours, vacation leave and statutory holidays, and sick leave. Employees must account for a minimum of 1950 total paid hours per year to receive full pay.

Audit hours - This is the time employees spend on the audits set out in the Detailed Work Plan on page 35. Audit hours do not include the time spent on support services, office administration, and training.

Support services - This is the time employees spend on accounting, computer maintenance and support, and other administrative support.

Office administration - This is time employees spend on human resource activities, internal committees and working groups, office-wide and group planning activities, and time that does not fall within any other working hours task category.

Training - This is time employees spend on staff development courses and seminars. The time includes both employee attendance time and instructor time when our employees instruct our courses.

Full-time equivalent positions - This represents the total paid months divided by twelve months.

3. Time Allocation Policies

Employees are required to record on time sheets actual time spent on each task to the nearest quarter hour. The employees' supervisors approve the employees' time sheets. The Office records the time shown on the time sheets. The Office uses the information derived from the time sheets to pay employees and to monitor employees' performance. The Office also uses this information to determine the actual costs to audit government agencies.

Training Schedule

Information on the cost of training. The schedule shows the staff hours, staff salary cost, and out-of-pocket costs.

	Forecast			Actual		
Fiscal Year	Hours[1,2]	Salary Cost	Out-of-Pocket Cost	Hours[1,2]	Salary Cost	Out-of-Pocket Cost
1997-98	8,100	$ 162,600	$ 145,500	8,639	$ 188,444	$ 136,155
1998-99	8,947 [3]	170,665 [3]	151,540 [3]	8,023 [4]	188,320 [4]	148,531 [4]
1999-00	8,720	205,791	149,000	7,946 [5]	175,144 [5]	116,310 [5]
2000-01	9,043	206,582	149,000	8,191 [6]	197,399 [6]	141,392 [6]
2001-02	8,213 [7]	208,509 [7]	149,000 [7]	5,943 [8]	156,416 [8]	126,425 [8]
2002-03	7,410 [9]	210,508	149,000	6,030 [6]	165,341 [6]	150,724 [10]
2003-04	7,919 [11]	213,567	149,000	7,618	231,564	142,504
2004-05	8,195	248,382	149,000	7,462	220,291	138,222
2005-06	8,714	259,442	149,000	7,685 [12]	253,231 [12]	148,153 [12]
2006-07	8,830	267,917	149,000			

[1] We are a training office for people to become professional accountants (CA, CMA, CGA). About 50% of our training hours relates to training these students. This is the key strategy we use to recruit staff.

[2] We continue to update our training survey that was initiated from a request of the Board of Internal Economy. We did a survey of the legislative auditors across Canada (2005) and three of the largest auditing firms in Regina (2004). We received responses from all of the legislative auditors and two of the auditing firms. Following are the results of the survey based on 2005 training policies:

Type of training	Legislative Auditors Average 2005	Auditing Firms Average 2004	Provincial Auditor Saskatchewan 2005	Provincial Auditor Saskatchewan Forecast 2007
Training new staff to become professionals	7 days	6 days	11 days	11 days
Keeping our existing professional staff current	9 days	7 days	6 days	6 days
Specialized training (e.g., computers, pensions, tax, etc.)	11 days	17 days	13 days	14 days

[3] In 1998-99, our planned costs reflected our decision to hire two trainees who will do the Master of Professional Accounting Program (MPAcc) at the University of Saskatchewan. This decision would increase training costs by $8,710. Our recruiting for that year did not result in the hiring of students willing to pursue MPAcc.

[4] Our training hours decreased due to not having MPAcc student time. However, we increased our IT training for support staff due to the loss of a key staff member. The salary cost of this training is higher than savings from the decreased student training.

[5] Our hours and costs decreased due to established priorities. We did not carry out part of our annual management training program.

[6] Our hours decreased as we spent less time on our in-house training courses than originally planned for the year.

[7] Our forecast included an increase in the training for our specialists and a decrease in the number of students preparing for final exams in their professional accounting program. The salary cost of the specialist training is higher than the savings from the decreased student training.

[8] Our hours and costs decreased because we deferred some of our senior management training program in 2002 as a result of changing priorities for advancing audit deadlines.

[9] Our forecast includes a decrease in the hours necessary for training our students. The format of the new CA School of Business does not require the students to have as much paid leave as was required by the training program of The Institute of Chartered Accountants of Saskatchewan.

[10] Our out-of-pocket costs increased due to an increase in the use of external instructors for the 2003 in-house training program.

[11] Our forecast includes an increase in hours necessary for the paid leave of our CA School of Business students. We will have several students completing their final year of the program as well as new students beginning the program in 2004. In 2003, none of our students were in the final year of the CA School of Business program which significantly decreased our paid leave hours for students.

[12] Estimate at October 31, 2005.

Summary of Our 2005 – 2009 Strategic Plan

Our goals and objectives

We have three goals. These are:

- foster well-managed government
- encourage meaningful reporting by government
- manage our business effectively

Pages 50 to 63 set out our goals and objectives for the period April 1, 2005 to March 31, 2009 for pursuing our mission. We also set out our strategies and action plans to manage the risks that might prevent us from achieving our objectives.

Pages 64 to 65 include a glossary of terms and abbreviations used in our strategic plan.

The indicators we use to measure our success in achieving our goals and objectives and our performance targets for these indicators are set out on pages 23 to 24.

Goals	Objectives	General strategies
1. Foster well-managed Government	1. Our stakeholders value our assurance and advice to strengthen the Government's accountability to the Assembly.	1. Work with significant agencies on their processes to strengthen the accountability of the government agencies they supervise.
		2. Encourage legislators to put in law sound accountability requirements for the Government.
		3. Advise legislators of the state of the Government's accountability to the Assembly.

Action plans

1. Keep informed of and share changes in accountability processes in other jurisdictions.
2. Work with Finance and Health to build capacity for results-based management.
3. Work with the Crown Investments Corporation of Saskatchewan (CIC) to further the successful implementation of the balanced score card system.
4. Work with Finance, CIC, and Health to explain the importance of our assurance on key performance reports (plans and results).
5. Encourage the use of the key elements of sound planning and reporting for the overall Government and for significant agencies.
6. Encourage significant agencies to ensure accountability to the Assembly in their agreements with others they supervise.

1. Advise legislators of new accountability legislation in other Canadian jurisdictions.
2. Promote the value of legislation to sustain accountability requirements.
3. Work with Finance and CIC to promote legislation requiring sound accountability.

1. Report on accountability arrangements that present the Government with significant risks (e.g., municipal governments, school boards, non-government agencies, public private partnerships, intergovernmental agencies).
2. Advise legislators of the impact of changes in key accountability arrangements to ensure they provide appropriate accountability to the Assembly.
3. Assess the adequacy of accountability in key agreements.
4. Provide input to the CICA on public sector accounting and auditing issues, and explain the impact to legislators, as needed.
5. By 2005, report to legislators on the state of the Government's overall accountability to the Assembly compared with other Canadian jurisdictions.

Goals	Objectives	General strategies
1. Foster well-managed Government	2. Our stakeholders value our assurance and advice to strengthen the Government's processes to achieve intended results.	1. Evaluate the Government's processes to achieve planned results including its governance and risk management processes.
		2. Assess the adequacy of the Government's processes to manage its human resources and infrastructure including information technology.
		3. Assess the adequacy of the management of key intergovernmental and interagency programs and initiatives.
		4. Advise legislators of the challenges in managing the key forces and trends affecting the Government.

Action plans
1. Examine the adequacy of the financial controls of government agencies. 2. Examine compliance with authorities by government agencies. 3. Examine the adequacy of processes used by the overall Government and significant agencies to manage key risks including delivery of services by other parties (e.g., school boards, non-government agencies).
1. Assess whether significant agencies have the key elements of a sound human resource plan. 2. Assess whether 2 significant agencies have adequate processes to implement succession plans. 3. Each operating group will assess the adequacy of agencies' management of significant infrastructure (e.g., health facilities, highways, energy distribution systems). 4. Assess the adequacy of controls for securing significant IT infrastructure (e.g. MIDAS, Community Net). 5. Assess the adequacy of cross-government processes to implement key information technology elements (e.g. IT governance and security). 6. Assess the adequacy of government agencies project management processes to implement significant systems.
1. Assess the adequacy of processes to manage key intergovernmental and interagency programs. 2. Assess whether significant agencies clearly set out adequate control expectations to the government agencies they supervise. (e.g. Health, Finance, CIC). 3. Assess whether significant agencies have adequate controls to ensure expectations are carried out by the agencies they supervise.
1. Report on the financial condition of the Government to help explain the economic constraints faced by the Government. 2. Encourage the Government to report on its assessment of its financial condition. 3. Report on the key challenges faced by the Government: • In ensuring a professional public service for effective service delivery. • Resulting from the growing young Aboriginal population. • In ensuring a healthy and sustainable environment. • Resulting from the aging population. • Resulting from increasing retirements. • To our tax base resulting from the key forces and trends. • In managing the changing infrastructure needs resulting from rural depopulation.

Goals	Objectives	General strategies
2. Encourage meaningful reporting by Government	1. The Government provides useful summary plans and results to the Assembly.	1. Encourage key officials to improve the summary performance plan and reporting of results to the Assembly.
		2. Report areas for improving the summary performance plan and reporting of results.
	2. Significant agencies report their plans and results to the Assembly.	1. Assess key performance reports of significant agencies and sectors.
		2. Encourage significant agencies to include our legislative compliance opinion and an audited report on their financial controls in their annual report.

Action plans
1. Meet with key officials to discuss the benefits of improving summary performance plans and reporting of results. 2. Offer advice on processes to build capacity to improve the summary performance plan and reporting of results.
1. Starting in 2008, assess the summary performance plan and report of results against the CCAF reporting principles to identify areas for improvement. 2. Monitor status of performance plans and reporting of results in other Canadian jurisdictions. 3. Discuss with key officials and legislators the benefits of legislative committees reviewing the summary performance plan and reporting of results.
1. Assess annual reports of all significant agencies against all key principles each year starting in 2007. 2. Assess performance plans of significant agencies against all key principles every second year starting in 2007. 3. Assess plans and results of sectors, within a year of the plans and results becoming public. 4. Assess the guidance Finance, CIC, and Health provides to supervised agencies about key performance reports. 5. Assess whether 4 significant agencies have the ability to collect and analyze reliable performance information. 6. Encourage Finance to require Departmental financial statements and then provide them to the Assembly.
1. Work with Finance, CIC, and Health to encourage the inclusion of our legislative compliance opinion and an audited report on financial controls in the annual reports of agencies they supervise. 2. Identify significant agencies currently reporting control. 3. Discuss with government officials and legislators the benefits of including opinions on control in annual reports. 4. Monitor reporting of control opinions in other jurisdictions. 5. Monitor impact of changing standards related to reporting controls. 6. Encourage significant agencies to include an assessment of the effectiveness of their controls in their annual report.

Goals	Objectives	General strategies
2. Encourage meaningful reporting by Government	3. Our stakeholders value our timely assurance and advice on the Government's reports on plans and results.	1. Provide timely assurance on government agencies' financial reports.
		2. Inform legislators of the benefits of providing assurance on government agencies' performance reports.
		3. Encourage government agencies to seek our assurance on their performance reports.
		4. Provide timely assurance on government agencies' performance reports for non-financial information.
3. Manage our business effectively	1. Our stakeholders understand and value what we do.	1. Ensure we have the resources and access to the competencies necessary to respond to the risks faced by our stakeholders.

Action plans

1. Examine the reliability of the financial statements of the overall government and of all government agencies.

2. Deliver our reports on the results of our work to government officials within the agreed upon time frame.

3. Deliver timely public reports on the results of our work to the Legislative Assembly.

1. Report on the benefits of providing assurance on significant agencies' performance reports.

1. During the entry/exit meeting with significant agencies, encourage them to include an assurance report from our Office on their performance information.

1. Examine the reliability of key non-financial indicators included in the performance reports of 4 significant agencies.

2. Deliver our reports on the results of our work to government officials in the agreed upon time frame.

3. Deliver timely public reports on the results of our work to the Legislative Assembly.

1. Seek and monitor the views of our stakeholders on our plans and performance.

2. Prepare our resource proposals based on how we plan to respond to our risks and the risks faced by our stakeholders.

3. Clearly explain our resource proposals to PAC.

4. Maintain a competency-based framework for human resource management.

5. Maintain a sound human resource plan (including succession plan) that sets out required competencies and development plans.

6. Hire, train, and contract as expected in our human resource plan.

7. Use external experts as needed.

8. Use employee development plans and performance assessments to ensure we possess and maintain the necessary competencies.

9. Stimulate and support innovation.

Goals	Objectives	General strategies
3. Manage our business effectively	1. Our stakeholders understand and value what we do.	2. Provide relevant, reliable, and timely service at a reasonable cost.
		3. Maintain support for our recommendations.
		4. Communicate in a clear, accessible, and timely manner.

Action plans
1. Use a risk-based model to determine our work priorities. 2. Discuss audit requirements with government agencies at entry/exit meetings and document agreed upon requirements in our audit planning memoranda. 3. Complete audit work according to the audit planning memoranda. If necessary, explain any significant changes to the plan. 4. Complete our work according to professional standards. 5. Monitor our performance using feedback obtained from government agencies (e.g., Post Audit Questionnaires). 6. Monitor our planned and actual costs and manage the impact of any significant differences. 7. Maintain and monitor information about costs of similar service providers to benchmark our costs. 8. Pay our staff based on market conditions. 9. Determine the benefits of conducting audits with objectives focused on economy and efficiency.
1. Ensure our reports clearly explain deficiencies, consequences, and resulting recommendations. 2. Make clear presentations to boards, management, PAC, CCA, and the public. 3. Monitor acceptance of our recommendations. 4. Consider costs and benefits when making recommendations and set out recommendations in the context of key risks.
1. Share written key communication policies with staff. 2. Make our reports accessible to our stakeholders. 3. Clearly explain our work and findings. 4. Strengthen our presentation skills. 5. Review current practice regarding timing and content of our public reports. 6. Monitor content of our public web site to ensure information is current and relevant. 7. Inform members of key legislative committees about the products and services that we deliver. 8. Prepare and distribute to our stakeholders a summary pamphlet outlining our role and the products and services that we deliver.

Goals	Objectives	General strategies
3. Manage our business effectively	1. Our stakeholders understand and value what we do.	5. Maintain our independence and objectivity.
	2. We are leaders in key areas of legislative auditing.	1. Enhance our leadership in the areas of auditing financial reporting, financial controls, risks, accountability, and compliance with related authorities.
		2. Develop and maintain special knowledge in the many diverse and complex businesses the Government manages.
		3. Offer our advice and training programs to others.
		4. Maintain current and effective methodology.

Action plans
1. Promote the basic principles for legislative auditors (e.g., refer to CCOLA document).
2. Explain our independence to our stakeholders.
3. Identify and respond to initiatives that might affect our independence.
4. Make staff aware of our need to be and appear to be independent (through objectivity policies).
5. Develop and implement a policy for the rotation of key personnel on audits.
1. Maintain and enhance our internal training program using CCOLA resources when appropriate.
2. Pursue external training and development opportunities.
3. Participate on provincial and national committees (e.g. CCOLA, CICA, ICAS, IIA).
4. Keep our practices current by using our Practice Review Committee.
5. Use quality control processes to maintain consistent practices.
6. Monitor external organizations for risk management practices (e.g. Conference Board of Canada, CCAF, CICA, Australian Audit Office).
7. Be responsive to the impact of potential changes in professional assurance standards for reporting on financial control.
8. Seek opportunities, provincially and nationally, to make presentations and lead discussions in key areas of legislative auditing.
1. Maintain relevant specialities.
2. Ensure succession of key specialists on an ongoing basis.
3. Enhance knowledge transfer for complex audits and key government functions.
4. Allocate resources to enhance transfer of knowledge.
1. Offer advice and training to our professional colleagues (CCOLA, appointed auditors).
2. Offer advice and training program to government officials.
1. Monitor and learn from our experiences and the practices of our professional colleagues.
2. Challenge the status quo and ensure quality control .
3. Support CCOLA's quality assurance process for ensuring the adequacy of our methodology.
4. Encourage harmonization of methodology within CCOLA.
5. Support CCOLA in promoting the participation of legislative audit offices in the requirements of the Canadian Public Accountability Board.
6. Use the Professional Engagement Manual maintained by the CICA and CaseWare to document our audit work.

Goals	Objectives	General strategies
3. Manage our business effectively	2. We are leaders in key areas of legislative auditing.	5. Develop expertise in auditing performance management.
	3. We continuously improve our work.	1. Continue to strengthen and simplify our management information system.
		2. Continue to strengthen and simplify our administrative practices.
		3. Continue to strengthen and simplify how we plan, assess, and report our performance.
	4. We embrace our guiding principles.	1. We maintain a positive work environment.
		2. We maintain a healthy work environment.

Action plans
1. Monitor and learn from our experiences and the practices of our professional colleagues in other legislative audit offices. 2. Encourage transfer of knowledge and skills for auditing performance management throughout Office. 3. Support innovative audit approaches and sharing of experiences.
1. Ensure internal information systems (e.g., information centre, Intranet, databases) are responsive to staff's needs. 2. Improve the ability of staff to access our internal information when they are away from the office.
1. Encourage staff to search for and share efficiencies. 2. Acquire quality goods and services at the best prices. 3. Improve the efficiency of preparing and issuing our reports.
1. Prepare an annual business and financial plan. 2. Use a risk-based model to determine our audit priorities. 3. Continue to improve our risk-based model. 4. Report publicly our plans and the extent to which we have achieved our plans. 5. Continually assess the nature and scope of the assurances our auditor provides to legislators on our performance.
1. Respond to concerns and trends identified in our corporate culture surveys of our staff. 2. Use the performance management process to help ensure staff are adequately trained and provided with challenging and varied work. 3. Enhance an exit interview process for staff leaving the Office. 4. Promote two-way feedback on staff performance. 5. Use appropriate communication methods to advise others of key information and decisions. 6. Improve communication of Executive Committee's key decisions. 7. Adjust workloads to facilitate a balance between work, home, and community.
1. Address all recommendations of the Occupational Health and Safety Committee (OH&S) in a timely manner. 2. Facilitate safe work practices as defined by the Office.

Strategic Plan Glossary

Accountability – the ability to demonstrate responsible action and report performance in light of agreed-upon expectations.

Action plans – the activities, time lines, and resources to accomplish goals and objectives and to implement strategies. Our action plans are carried out annually during the four-year plan, except where a specific date is indicated. The costs of our action plans are reported annually to the Legislative Assembly in our Business and Financial Plan.

Agency – an entity of Government accountable for public money.

Assembly – the Legislative Assembly of Saskatchewan.

Assurance – the Provincial Auditor Saskatchewan issues a written communication expressing a conclusion concerning a subject matter for which an agency is responsible.

Best practices – professional procedures or actions that are efficient, economical, and effective in accomplishing the purpose intended. Best practices may meet or exceed generally accepted auditing standards or other minimum standards in creative ways using evolving technologies or new methods.

Business plan – an agency's planned operations for the fiscal year.

CCOLA – the Canadian Council of Legislative Officers is an organization devoted to sharing information and supporting the continued development of auditing methodology, practices and professional development in legislative auditing.

Competency-based framework – the framework used for human resource management and policy development that identifies the competencies necessary for our Office to be successful. Competencies are the elements our Office must know, be able to do, and attitudes we must possess.

Control – those elements of an agency (including its resources, systems, processes, culture, structure, and activities) that, taken together, support people in the achievement of the agency's objectives.

Financial plan – an agency's planned revenues and expenses for the fiscal year.

Goal – a general statement of desired results to be achieved over an unspecified period of time.

Governance – generally refers to the processes by which organizations are directed, controlled, and held to account, and is underpinned by the principles of openness, integrity, and accountability. Governance is concerned with structures and processes for decision making, accountability, control and behaviour at the top of organizations.[1]

Government – departments and Crown agencies as defined in *The Provincial Auditor Act*.

Guiding principles – the key values that are used to assist decision making.

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[1] *Governance in the Public Sector: A Governing Body Perspective*, The International Federation of Accountants, p. 1, August 2001.

Mission – the broad, long-term purpose of an agency and its primary focus including the stakeholders to be served.

Objective – a measurable, time-defined result to be achieved that leads to the achievement of each goal.

Outcome – the consequence or result of activities (e.g., our work results in better management systems and practices; Members of the Legislative Assembly are better able to assess the performance of Government as a result of our work).

Performance indicator – a factor chosen to monitor success in achieving objectives.

Performance plan – an agency's business and financial plan

Performance report – compares an agency's planned and actual results (e.g., an annual report, financial statements).

Results – outcomes achieved and outputs

Risk – the possibility that an agency will experience adverse consequences from events or circumstances (e.g., a major financial, operational, or legal issue an agency must manage well for success in achieving its objectives).

Sectors – multiple government agencies working together to deliver common programs or to achieve common goals.

Stakeholders – those who have an interest in our decisions, including the people of Saskatchewan, Members of the Legislative Assembly and Standing Committees, and officials/managers/employees of Government.

Strategies – the approaches that can be taken to meet objectives and achieve goals.

Vision – a brief description of the ideal state.

Abbreviations

CCA – The Standing Committee on Crown and Central Agencies

CCAF – Canadian Comprehensive Auditing Foundation

CCOLA – Canadian Council of Legislative Auditors

CIC – Crown Investments Corporation of Saskatchewan

CICA – The Canadian Institute of Chartered Accountants

ICAS – Institute of Chartered Accountants of Saskatchewan

IIA – Institute of Internal Auditors

PAC – The Standing Committee on Public Accounts

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Other Information

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Spending Trends

In the past, members of the Standing Committee on Estimates and the Standing Committee on Public Accounts wanted to know what our spending trends were over a ten-year period.

The following information shows the trend of our spending from 1996 to 2005. The financial trends of the Government are best represented by the total revenue plus the total expense, as well as the total assets plus the total liabilities from the Government's summary financial statements. In the past, we compared our spending to the Government's spending through the General Revenue Fund. The Government's summary financial statements contain better information on total government spending.

Table 3

	Provincial Auditor's	Government's Financial Trends	
Year End	Spending	Revenue and Expense	Assets and Liabilities
1996	$ 4.5 million	$ 17.6 billion	$ 34.9 billion
1997	4.3 million	17.5 billion	34.5 billion
1998	4.5 million	17.6 billion	33.9 billion
1999	4.6 million	18.3 billion	33.9 billion
2000	4.5 million	20.2 billion	35.6 billion
2001	4.8 million	20.6 billion	35.0 billion
2002	4.9 million	22.0 billion	36.0 billion
2003	5.3 million	23.0 billion	37.0 billion
2004	5.4 million	23.3 billion	37.2 billion
2005	5.5 million	25.7 billion	38.8 billion

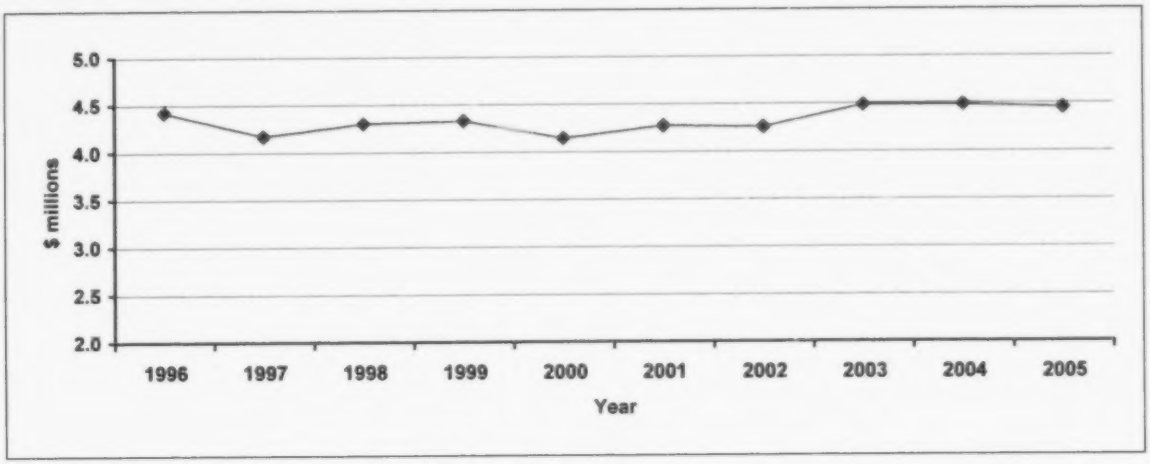
The Provincial Auditor's reported spending, for 1996 to 2005 inclusive, does not include appointed auditors' fees charged to government agencies. The decision to use appointed auditors rests with the Government. Accordingly, the costs of appointed auditors are not within the Provincial Auditor's control and are, therefore, not reflected in the Provincial Auditor's spending.

The Government's financial numbers come from its summary financial statements. The total revenues plus the total expense are used to reflect the increase in the volume of transactions our Office is responsible for auditing. We also have to audit the total assets plus the total liabilities of the Government. Graphs 1 and 2 (page 70) include the above information adjusted for inflation using 1995 as the base year.

In previous reports, we included our spending trend since 1983. From 1987 to 1995, our appropriation was not sufficient to carry out our work plan. This resulted in no reports, or late reports, to the Members of the Legislative Assembly on certain government agencies. For the seven years ended March 31, 2002, the Board of Internal Economy recommended an appropriation that was sufficient for our Office to carry out our work plan. Also, for the three years ended March 31, 2005, the Standing Committee on Public Accounts recommended an appropriation that was sufficient for our Office to carry out our work plan. From 1996 to 2005 our spending has increased 22%. During the same period, the Government's spending has increased 46%.

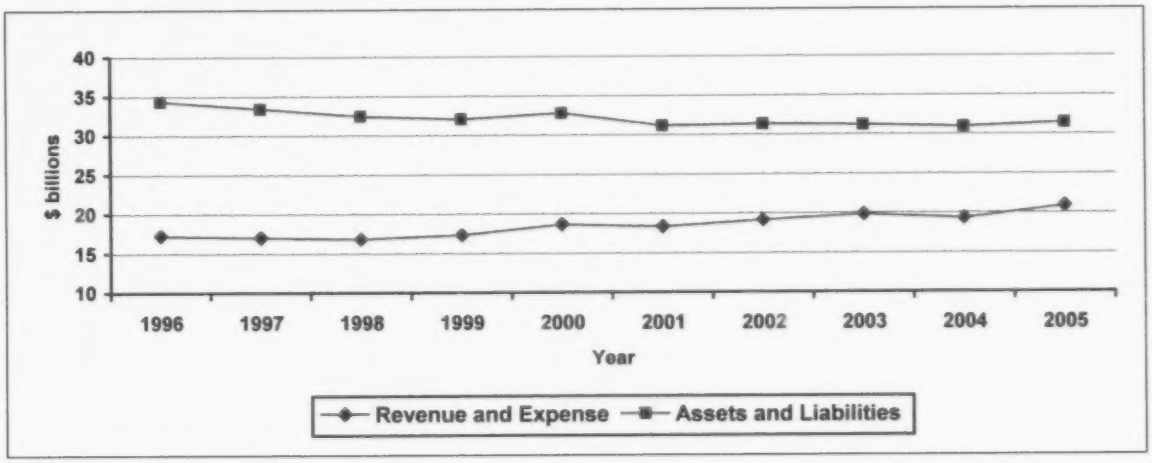
Graph 1
Provincial Auditor's Spending

These numbers come from Table 3. The numbers are adjusted for inflation using The Consumer Price Index of Canada and 1995 as the base year.



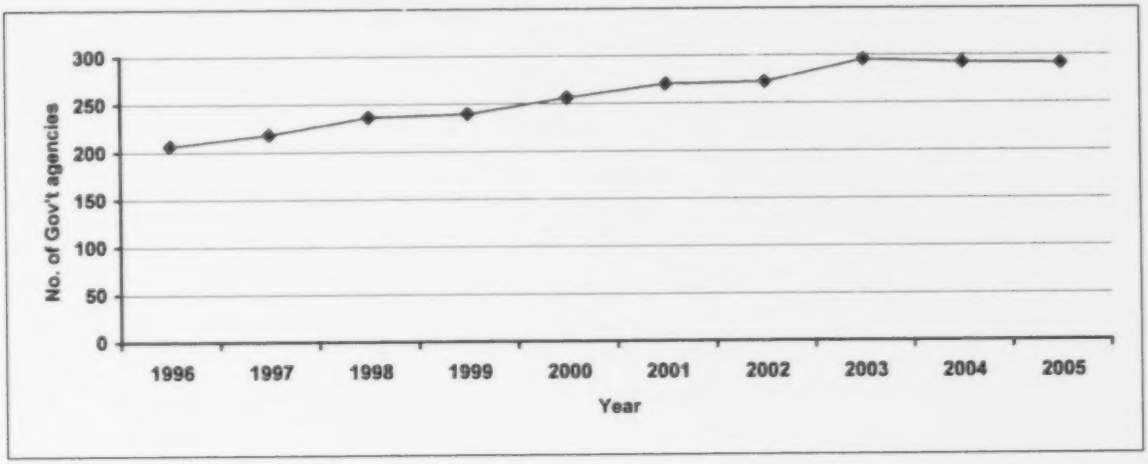
Graph 2
Government's Financial Trends

These numbers come from Table 3. The numbers are adjusted for inflation using The Consumer Price Index of Canada and 1995 as the base year.



Graph 3
Number of Government Agencies

Our work is also affected by the number of government agencies. The following graph shows the ten-year trend in the number of government agencies.



Out-of-Province Travel

Information on the last five years "out-of-province travel".

	2002-03	2003-04	2004-05	2005-06	2006-07
Forecast	$ 40,000 [1]	$ 45,800 [1,2]	$ 46,300 [1,2]	$ 47,800 [1,2]	$ 47,800 [1,2]
Actual	52,127 [3]	36,767	41,748	46,732 [4]	

[1] Increasingly we are asked to participate in national working groups with the legislative audit community to agree on guidelines for auditing and reporting on performance. Also, some of our specialized training is not available in province (e.g., pension and benefit plans, gaming and insurance areas.)

[2] Beginning in 2003-04, our plans include travel for some of our students to attend sessions for the CA School of Business in Alberta. Saskatchewan does not always host all sessions.

[3] Our travel out-of-province increased during 2002-03 for travel related to auditing the Health Indicators Report.

[4] This is an estimate to March 31, 2006. The actual to October 31, 2005 is $17,927.

Senior Management Salaries

Annual salaries of senior management for the past five years and the percentage change from the previous year.

Annual salaries as at March 31:

Name	2001	2002	Percent Increase from 2001[1]	2003	Percent Increase from 2002[2]	2004	Percent Increase from 2003[3]	2005	Percent Increase from 2004
Wendel, G. F.	117,634	122,773	4.37%	125,842	2.50%	128,988	2.50%	128,988	0.00%
Atkinson, B. R.	99,842	106,340	6.51%	112,750	6.03%	117,128	3.88%	117,995	0.74%
Ahmad, M.	92,446	96,000	3.84%	102,500	6.77%	105,062	2.50%	105,062	0.00%
Ferguson, J. D.	92,446	96,000	3.84%	102,500	6.77%	105,062	2.50%	105,062	0.00%
Heffernan, M. A.	92,446	96,000	3.84%	102,500	6.77%	105,062	2.50%	105,062	0.00%
Montgomery, E.	92,446	96,000	3.84%	102,500	6.77%	105,062	2.50%	105,062	0.00%

[1] The government granted salary increases to all out-of-scope public servants of 3% on July 1, 2001.

[2] The government granted salary increases to all out-of-scope public servants of 2.5% on July 1, 2002.

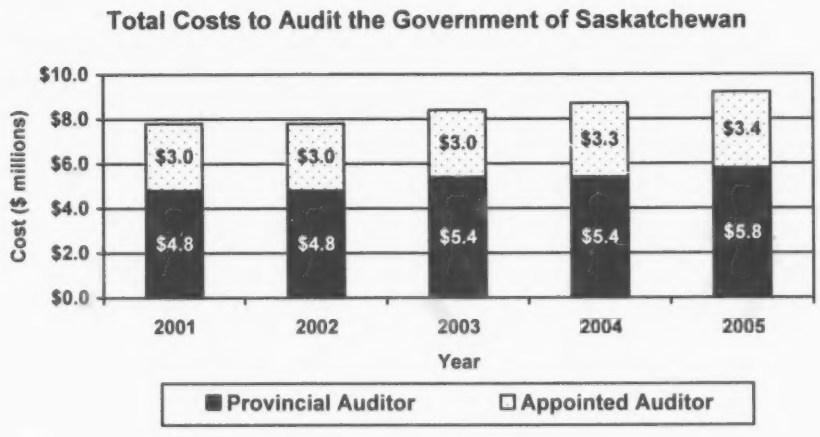
[3] The government granted salary increases to all out-of-scope public servants of 2.5% on July 1, 2003.

Total Costs to Audit Government Agencies

Following is a summary of the total costs to audit government agencies for the last five years.

Many of the 291 agencies that the government manages use appointed auditors. The Government has stated that it uses appointed auditors so the Saskatchewan public accounting industry can develop and retain local expertise. The Government is accountable for the costs of using appointed auditors and, therefore, our financial plan does not reflect these costs. However, our detailed work plans reflect the known use of appointed auditors because it affects our costs and the way we carry out our work. The use of appointed auditors reduces our costs but increases the total cost of auditing to taxpayers. It costs more to audit when there are two auditors.

	Costs ($ millions)		
Year	Provincial Auditor	Appointed Auditor	Total
2001	$ 4.8	$ 3.0	$ 7.8
2002	$ 4.8	$ 3.0	$ 7.8
2003	$ 5.4	$ 3.0	$ 8.4
2004	$ 5.4	$ 3.3	$ 8.7
2005	$ 5.8	$ 3.4	$ 9.2



Appendix I – Provincial Auditor's Estimates

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Provincial Auditor

Vote 28

The Office serves the people of Saskatchewan through the Legislative Assembly. The Office encourages accountability and effective management in government operations through its independent examinations, advice, and reports on the management of public resources entrusted to government.

Summary of Appropriation and Expense
(in thousands of dollars)

	Estimated 2006-07	Estimated 2005-06
Provincial Auditor	5,695	5,576
Unforeseen Expenses	359	356
Total Appropriation	6,054	5,932
Capital Asset Acquisitions	(79)	(73)
Capital Asset Amortization	88	81
Total Expense	6,063	5,940

Provincial Auditor

Vote 28 – Continued

(in thousands of dollars)

	Estimated 2006-07	Estimated 2005-06

Provincial Auditor (PA01)

Provides for the audits of the administration of programs and activities of government departments, health and education institutions, commissions, boards, and Crown corporations and for reporting the results of all audits annually to the Legislative Assembly and the public. It also provides assistance to the Standing Committees on Public Accounts and Crown and Central Agencies in its review of the Provincial Auditor's Report, the Public Accounts, and other reports.

Allocations		
Provincial Auditor Operations	5,545	5,446
Provincial Auditor's Salary (Statutory)	150	130

Classification by Type	2006-07	2005-06		
Salaries	3,723	3,697		
Supplier and other Payments	1,893	1,806		
Capital Asset Acquisitions	79	73		
This subvote includes "Statutory" amounts. The amount "To Be Voted" is $5,545K.			5,695	5,576

Unforeseen Expenses (PA02)

Provides for unforeseen expenses pursuant to Section 10.1 of *The Provincial Auditor Act.*

Classification by Type	2006-07	2005-06		
Salaries	359	356		
			359	356

Amortization of Capital Assets

Accounts for the estimated annual consumption of the capital assets utilized by the Office of the Provincial Auditor. Amortization (depreciation) is calculated using the straight-line method based on the estimated useful life of the asset.

Categories of Amortization		
Office and Information Technology	88	81

Classification by Type	2006-07	2005-06		
Amortization	88	81		
Amortization is a non-voted, non-cash expense and is presented for information purposes only.			88	81